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IN THE UNITED STATES PATENT AND TRADEMARK OFFICE BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD

Proceeding	91174198
Party	Plaintiff Debbie, LLC, Bicon, LLC Debbie, LLC, Bicon, LLC Debbie, LLC 501 Arborway Boston, MA 02130 UNITED STATES
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Attachments	opposition to motion to suspend.pdf (74 pages)(637237 bytes)

Attorney's Docket No.: 18471-003PP1

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD

DEBBIE, LLC AND BICON, LLC

Opposers,

v.

IMPLANT INNOVATIONS, INC.,

Applicant.

In the matter of Serial No. 78/876,594

For the mark NANOTITE

Published on November 28, 2006

Opposition No.: 91174198

OPPOSERS' OPPOSITION TO APPLICANT'S MOTION TO SUSPEND

Opposers, Debbie, LLC and Bicon, LLC ("Opposers"), hereby oppose Applicant's Motion to Suspend.

Suspension of the Board proceeding is inappropriate in this instance, notwithstanding the existence of the pending federal district court action between the parties, at least because the court has no jurisdiction to resolve a dispute regarding an application for registration where there is no involved registration.

The Board proceeding will determine whether Applicant is entitled to obtain a registration for the mark NANOTITE. The right of Applicant to obtain a registration cannot be made by the court in the pending action before the Southern District of Florida. This is because Section 37 of the Lanham Act restricts a district court's power to determine the right to register to those actions "involving a registered mark." See 15 U.S.C. § 1119. See also Whitney Information Network, Inc. v. Gagnon, 353 F.Supp.2d 1208, 1211 (M.D. Fla. 2005) ("A pending application for a service mark is insufficient to satisfy the statutory requirement under section 1119 that the action involve a registered mark."); Dunn Computer Corp. v. Loudcloud, Inc., 133

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F. Supp. 2d 823, 831 (E.D. Va. 2001) ("Plaintiff's claim under...15 U.S.C. § 1119, also fails because defendant does not have a registered mark. ... Because this case does not involve any registered marks, no federal jurisdiction exists to order...a registration under this statutory provision."); *GMA Accessories, Inc. v. Idea Nuova, Inc.*, 157 F. Supp.2d 234, 241 (S.D.N.Y. 2000) ("Thus, by its terms, [15 U.S.C. § 1119] contemplates an action involving a registered trademark."); *Jeno's Inc. v. Comm'r of Patents and Trademarks of the United States*, 498 F. Supp. 472, 477-478 (D. Minn. 1980) ("The Court, after careful consideration of all the cases noted in this area, finds no precedent which allows it to force the Commissioner to register plaintiff's mark where neither of the parties to the action held a registered trademark.... Accordingly, this Court determines that the Lanham Act was designed to allow the Court to decide the issue of registrability of a mark where at least one of the parties to the action holds a registered trademark at the time the action is commenced."). Copies of these cases are attached for the Board's convenience as Exhibit A.

With its Amended Complaint in the civil action, Applicant seeks to have the court decide, pursuant to 15 U.S.C. § 1119, whether Applicant is entitled to a registration. *See* Exhibit B, Applicant's Amended Complaint, pp 11-12. However, Applicant's Amended Complaint does not allege the existence of a registered mark. In the absence of a registered mark, the court does not have jurisdiction to enter Applicant's prayer for relief under 15 U.S.C. § 1119, namely, that the court "issue an order certified to the Director of the USPTO decreeing that [Applicant] has the right to register the NANOTITE Mark and that [Opposers'] Notice of Opposition be rejected." *See* Exhibit B, pp 11-12, 15.

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In general, the Board may suspend an opposition proceeding when the parties are involved in a concurrent federal court action, but it is not required to do so. *See* 37 C.F.R. 2.117(a). Although suspension may be proper where the civil action may have a bearing on the outcome of a Board proceeding, suspending this proceeding would not be in the interest of justice because here the Board's decision has a far greater bearing on the issues pending before the court. The issue of priority and specifically Applicant's purported rights under its pending ITU application are of paramount importance in the court action. Opposers have priority in the NANOTITE mark based upon actual sales and shipments of goods bearing the NANOTITE mark in commerce. Indeed, at least one such sale occurred before Applicant's ITU filing date. Applicant, in turn, has asserted priority in the NANOTITE mark based upon the filing date of its ITU application. For example, Applicant states in its motion for preliminary injunction:

Although [Applicant's] registration for its NANOTITE mark has not yet issued, the standard for a preliminary injunction is whether the movant is *likely* to succeed on the merits. Here, it is highly likely that [Applicant's] trademark application will mature into a registration, thus perfecting [Applicant's] nationwide constructive use and right of priority as of May 4, 2006. See Exhibit C, Applicant's Motion for PI, p. 9.

Of course, Applicant cannot rely on its "constructive use and right of priority" <u>unless and until</u> its application for NANOTITE issues, a decision that is solely within the province of this Board.

Moreover, once registrability is determined, the court will be bound by the Board's decision in this area where the Board has expertise. Applicant's contention that decisions of the Board are not binding upon federal district courts is simply not correct. In fact, the court should accept the Board's findings of fact in this matter as controlling. The 5th circuit in *American Heritage Life Ins. Co. v. Heritage Life Ins. Co.*, 182 U.S.P.Q. 77, 81 (5th Cir. 1974), a decision

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precedential for district courts sitting in the 11th Circuit, determined that Board findings "must be accepted as controlling unless the contrary is established by evidence which in character and amount carries thorough conviction." The court went on to note:

Even though this is an infringement and cancellation action rather than a direct appeal from a Patent Office registration proceeding, in our judgment the "thorough conviction" standard extends to all findings made by the Patent Office in quasi-judicial, adversarial proceedings between the same parties and emanating from the Office's expertise. . . .The opposition proceeding conducted by the Board was quasi-judicial in character, and its findings on arbitrariness and priority of usage are grounded in the Patent Office's area of expertise. Consequently...the findings...will be accepted by the federal court unless the contrary is established by evidence which carries thorough conviction. *American Heritage*, 182 USPQ at 81 (citations omitted).

Courts will uphold the Board's factual findings unless they are unsupported by substantial evidence. *See Dickinson v. Zurko*, 527 U.S. 150, 164-65 (1999); *In re Gartside*, 203 F.3d 1305, 1315, 53 U.S.P.Q.2d 1769, 1775 (Fed. Cir. 2000); *Recot, Inc. v. M.C. Becton*, 214 F.3d 1322, 1327, 54 U.S.P.Q.2d 1894, 1897 (Fed. Cir. 2000).

In filing a Motion to Suspend, Applicant is attempting to deprive the court of the benefit of the Board's expertise in determining the registrability of Applicant's ITU application. The Board's decision on this issue will have a significant impact on the parties' factual and legal contentions in the court action. Moreover, Applicant's rationale for requesting a suspension is based on a faulty application of the Lanham Act, 15 U.S.C. § 1119. For these reasons, Opposers respectfully request that Applicant's Motion to Suspend be denied, and that the Board set an answer deadline and trial schedule that will allow for an expeditious determination of this proceeding.

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Respectfully submitted,

Date: January 25, 2007 /Amy L. Brosius/

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CERTIFICATE OF SERVICE

The undersigned hereby certifies that a copy of the foregoing OPPOSERS' OPPOSITION TO APPLICANT'S MOTION TO SUSPEND has this 25th day of January 2007 been mailed by prepaid first class mail to the below-identified Attorney at his/her place of business:

Elizabeth Wiszowaty, Esq. Jenkins & Gilchrist 225 W Washington Street, Ste 2600 Chicago, IL 60606-2418

> /Amy L. Brosius/ Amy L. Brosius

Exhibit A



498 F.Supp. 472 498 F.Supp. 472, 208 U.S.P.Q. 492 (Cite as: 498 F.Supp. 472)

‱

United States District Court, D. Minnesota, Fourth Division.

JENO'S INC., Plaintiff,

v.

COMMISSIONER OF PATENTS AND TRADEMARKS OF the UNITED STATES, and Assistant

Commissioner for Trademarks, Defendants. Civ. No. 4-80-10.

Sept. 5, 1980.

Action was brought seeking writ of mandamus compelling Commissioner of Patents and Trademarks to register plaintiff's trademark. Cross motions for summary judgment were filed. The District Court, Miles W. Lord, J., held that: (1) mandamus would not issue commanding Commissioner of Patents and Trademarks to register PIZZA ROLLS as trademark for plaintiff's frozen pasta snacks, notwithstanding provision of prior consent judgment directing Commissioner, a nonparty, to issue a registration for such mark; (2) plaintiff's right to relief lay within discretion of Commissioner and plaintiff had other adequate remedies; and (3) Lanham Act was designed to allow a court to decide the issue of registerability of a mark where at least one of the parties to the action holds a registered trademark at time the action is commenced.

Plaintiff's motion denied; defendants' motion granted.

West Headnotes

∐ Mandamus € 7

250k7 Most Cited Cases

Decision to either grant or deny writ of mandamus rests in the sound discretion of the district court. 28 U.S.C.A. § 1361.

[2] Mandamus 6-72

250k72 Most Cited Cases

Purpose of mandamus statute is to permit district courts generally to issue appropriate corrective orders where federal officials are not acting within the zone of their permissible discretion, and the writ will issue only where the federal officers are abusing their discretion or acting contrary to law. 28 U.S.C.A. § 1361.

[3] Mandamus • 3(1)

250k3(1) Most Cited Cases

Mandamus is usually denied where alternative remedies exist. 28 U.S.C.A. § 1361.

[4] Mandamus € 4(1)

250k4(1) Most Cited Cases

Mandamus is not to be used as a substitute for appeal. 28 U.S.C.A. § 1361.

[5] Mandamus € 1

250k1 Most Cited Cases

Generally speaking, mandamus requires three elements: (1) a clear right in plaintiff to the relief sought; (2) a clear duty on the part of defendant to do the act in question; and (3) no other adequate remedy is available. 28 U.S.C.A. § 1361.

[6] Mandamus Em 12

250k12 Most Cited Cases

Before mandamus may issue, a court must determine that the subject claim is clear and certain and that the duty of the officer involved is ministerial, plainly defined and peremptory. 28 U.S.C.A. § 1361.

[7] Mandamus € 86

250k86 Most Cited Cases

Mandamus would not issue commanding Commissioner of Patents and Trademarks to register PIZZA ROLLS as a trademark for plaintiff's frozen pasta snacks, notwithstanding prior consent judgment directing Commissioner, a nonparty, to issue registration for such mark; plaintiff's right to relief lay within discretion of Commissioner and plaintiff had other adequate remedies, such as appeal and, also, district court did not have original or concurrent jurisdiction to order registration of the mark as no other registered mark was involved in the suit. Lanham Trade-Mark Act, § § 21, 21(a, b), 37, 15 U.S.C.A. § § 1071, 1071(a, b), 1119; 28 U.S.C.A. § 1361.

[8] Federal Courts • 11

170Bk11 Most Cited Cases

Mandamus statute does not confer jurisdiction on a district court which the court does not otherwise have. 28 U.S.C.A. § 1361.

[9] Trademarks • 1317(2)

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(Cite as: 4501 .5upp. 472)

382Tk1317(2) Most Cited Cases (Formerly 382k232.1, 382k232)

Lanham Act was designed to allow the court to decide the issue of registerability of a mark where at least one of the parties to the action holds a registered trademark at time the action is commenced; absent presence of a registered mark, court has no parallel authority with the Commissioner of Patents and Trademarks to decide whether a mark is registerable under the Act. Lanham Trade-Mark Act, § 37, 15 U.S.C.A. § 1119.

*473 Dorsey, Windhorst, Hannaford, Whitney & Halladay by Peter Dorsey and Ronald J. Brown, Minneapolis, Minn. and Hume, Clement, Brinks, William & Olds, Ltd. by Richard G. Lione and Richard H. Compere, Chicago, Ill., for plaintiff.

*474 Thomas K. Berg, U. S. Atty., by Stephen G. Palmer, Asst. U. S. Atty., Minneapolis, Minn., for defendants.

MEMORANDUM AND ORDER

MILES W. LORD, District Judge.

Before the Court are parties' motion and cross motion for summary judgment. After careful consideration of the entire file, all proceedings and counsel's memoranda, the Court is prepared to rule.

I. FACTS

Counsel have stipulated that for the purpose of disposing of the instant matter, the following constitutes the relevant and undisputed set of facts:

- 1. In January, 1970, plaintiff filed a first trademark application in the U.S. Patent and Trademark Office seeking to register PIZZA ROLLS as a trademark for frozen pasta snacks.
- 2. In due course, PIZZA ROLLS was published for opposition in the Official Gazette of the U.S. Patent and Trademark Office. 896 O.G. 103 (March 14, 1972).
- 3. RJR Foods, Inc., filed an opposition to the registration by plaintiff of PIZZA ROLLS. In a final agency action by the Trademark Trial and Appeals Board, on October 2, 1975, it was held that PIZZA ROLLS was descriptive and that plaintiff was not entitled to a federal registration for PIZZA ROLLS. RJR Foods, Inc., thus prevailed in the opposition. The records of the U.S. Patent and Trademark Office do not show that plaintiff sought judicial review under 15 U.S.C. s 1071 of the decision of the Trademark Trial and Appeal Board.
- 4. On December 12, 1978, the Patent and

Trademark Office published for opposition in the Official Gazette the mark PIZZAROLLAS owned by Vitale's Italian Foods, Inc. (Vitale's).

- 5. Plaintiff filed for an extension of time to oppose said application and then on January 26, 1979, filed its second application to register PIZZA ROLLS for its pasta snacks. On February 2, 1979, plaintiff filed Civil Action No. 5- 79-14 in the District Court of Minnesota, Fifth Division, against Vitale's. Civil 5-79-14 sought to enjoin Vitale's continued use of the PIZZAROLLAS and other relief. This Court had jurisdiction over Civil Action No. 5-79-14 since it arose under the Trademark Act of 1946 (15 U.S.C. s 1125(a) and 28 U.S.C. s 1338). A registered mark was not involved in this action.
- 6. On March 26, 1979, Vitale's filed its answer, therein claiming as affirmative defenses that plaintiff's mark PIZZA ROLLS was generic or merely descriptive and that plaintiff had unsuccessfully attempted to obtain federal trademark registration of the mark PIZZA ROLLS. 7. On June 14, 1979, this Court entered a consent judgment in the above-mentioned cause, wherein it

is stated that:

- 3. Plaintiff has employed much care and incurred great expense in the preparation, advertising and sale of its pasta snacks sold under the PIZZA ROLLS trademark. In the last ten years, Plaintiff has sold nationwide over 150,000,000 cartons of pasta snacks bearing the trademark PIZZA ROLLS at a total dollar value in excess of 83,000,000 dollars, and has expended over 16,000,000 dollars in advertising said products. By virtue of said extensive sales and advertising of products having the trademark PIZZA ROLLS, the public at large has come to identify the trademark PIZZA ROLLS as an indication that the products bearing same
- 8. In paragraph 9 of the consent judgment, the Commissioner of Patents and Trademarks was ordered to deny Vitale's application to register the designation PIZZAROLLAS. In paragraph 10, the Commissioner was ordered to issue a registration for the mark PIZZA ROLLS to plaintiff pursuant to its second application; paragraph 10 provided:

originate exclusively from Plaintiff.

- *475 10. Pursuant to 15 U.S.C. 1119, the Commissioner of Patents and Trademarks is hereby ordered to issue a registration for the mark PIZZA ROLLS to Jeno's, Inc. pursuant to its application, Serial No. 201,439 (the second application).
- 9. The consent judgment does not mention the prior decision of the Trademark Trial and Appeal Board. Plaintiff's present complaint likewise neglects to mention the Trademark Trial and Appeal Board's

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earlier determination.

10. This judgment was certified and sent by the Clerk of the Court to the Commissioner of Patents and Trademarks on June 18, 1979; it was received by the U.S. Patent and Trademark office on June 20, 1979. On September 26, 1979, pursuant to the Court's Judgment, the Commissioner of Patents and Trademarks through the Trademark Trial and Appeal Board denied Vitale's application.

- 11. On November 20, 1979, the trademark examiner assigned to examine plaintiff's second application refused to register PIZZA ROLLS relying on the prior decision of the Trademark Trial and Appeal Board.
- 12. Plaintiff then filed a petition to the Commissioner seeking to have the Commissioner order the second application passed to publication, i. e., publish PIZZA ROLLS in the Official Gazette for opposition by third parties.
- 13. Before receiving a decision on its petition, plaintiff filed this civil action seeking a writ of mandamus compelling the Commissioner to carry out paragraph 10 of the consent judgment.
- 14. Since the civil action was filed, a decision has been entered denying the petition pending outcome of this civil action.

Stipulation of parties, Doc. No. Civ. 4-80-10 (filed April 10, 1980, D.Minn.).

II. DISCUSSION

Plaintiff's complaint requests that this Court issue a writ of mandamus compelling the Commissioner of Patents and Trademarks to register plaintiff's trademark, Jeno's Pizza Rolls. Plaintiff argues that it has come to court with clean hands and that there is no reason to deny it this extraordinary equitable remedy.

Plaintiff places strong emphasis on its argument that mandamus is proper because it will not cause any injury to others, and that ample safeguards exist within the registration process to assure this. Plaintiff notes that the only company which might oppose its application is no longer in existence and that publication would provide opportunity for objectors of the mark to come forth.

In addition, plaintiff argues that it would be in the best interests of justice to expedite matters by granting its motion now, reasoning that it will probably be unsuccessful at an administrative level and return to this Court for an ultimate ruling.

The Commissioner argues that mandamus is an equitable remedy and that as such cannot be invoked

here where injury to others may result. <u>Earle R. Hanson & Assoc. v. Farmers Cooperative Creamery Co., 403 F.2d 65, 70 (8th Cir. 1968)</u>. Defendants note the possible injury to RJR Foods, Inc., which had successfully opposed Jeno's application for registration previously.

In addition, defendants argue that mandamus is not available where the remedy of appeal exists; defendants note that appeal to an administrative tribunal is available to Jeno's.

The power of the district court to issue writs of mandamus is governed by 28 U.S.C. s 1361 (1976); that statute provides "(t)he district courts shall have original jurisdiction of any action in the nature of mandamus to compel an officer or employee of the United States or any agency thereof to perform a duty owed to the plaintiff." Id.

[1][2][3][4] It must be noted at the outset, however, that "(m)andamus is an extraordinary remedy to be utilized only in the clearest and most compelling cases." Cartier v. Secretary of State, 506 F.2d 191, 199 (D.C.Cir.1974); Sperry Rand Corp. v. Larson, 554 F.2d 868, 872 (8th Cir. 1977). Further, the *476 decision to either grant or deny the writ rests in the sound discretion of this Court. See Ex Parte Peru, 318 U.S. 578, 584, 63 S.Ct. 793, 797-798, 87 L.Ed. 1014 (1943); United States v. United States District Court, 509 F.2d 1352, 1354 (9th Cir. 1975); Siegel v. Chicken Delight, Inc., 448 F.2d 43, 53 (9th Cir. 1971). In exercising its discretion, this Court is mindful that the purpose of this statutory provision is to permit district courts generally to issue appropriate corrective orders where federal officials are not acting within the zone of their permissible discretion; the writ will issue only where the federal officers are abusing their discretion or acting contrary to law. See State Highway Commission v. Volpe, 479 F.2d 1099, 1104-05 n. 6 (8th Cir. 1973). One critical consideration in determining the propriety of resort to a writ of mandamus is the question of alternative remedies; the writ is usually denied when alternatives McNutt v. Hills, 426 F.Supp. 990, 999 (D.D.C.1977). It appears that the alternative remedy of administrative appeal exists to plaintiff here.[FN1]

<u>FN1.</u> Mandamus is not to be used as a substitute for appeal. <u>Bruno v. Hamilton,</u> 521 F.2d 114, 117 (8th Cir. 1975).

[5] Generally speaking, mandamus requires three elements: (1) a clear right in the plaintiff to the relief sought, (2) a clear duty on the part of the defendant to

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do the act in question, and (3) no other adequate remedy is available. See <u>Yahr v. Resor</u>, 339 F.Supp. 964, 967 (E.D.N.C.1972).

[6] Before the writ may issue, this Court must determine that the claim is clear and certain and that the duty of the officer involved is ministerial, plainly defined and peremptory. <u>Id. at 967.</u>

[7] Plaintiff does not satisfy the requirements necessary for the Court to issue a writ of mandamus. Plaintiff's right to relief lies within the discretion of the Commissioner of Patents and Trademarks. In addition, other adequate remedies are available to plaintiff. An adverse decision may be appealed to the Trademark Trial and Appeal Board, and from there to the United States Court of Customs and Patent Appeals, 15 U.S.C. s 1071(a) (1976), or to this Court, 15 U.S.C. s 1071(b) (1976).

[8] Another consideration is important to note here. The mandamus statute, which empowers district courts to entertain any action in the nature of mandamus, to compel an officer or employee of the United States to perform a duty, does not confer any further jurisdiction upon this Court which it does not otherwise have. See Donahue v. Butz, 363 F.Supp. 1316, 1318 n. 1 (N.D.Cal.1973). The question is, does this District Court have original or concurrent jurisdiction to order the registration of plaintiff's trademark?

Plaintiff argues that s 37 of the Lanham Act, <u>15</u> <u>U.S.C.</u> s <u>1119</u> (<u>1976</u>), confers upon this Court jurisdiction to determine the registerability of trademarks generally. Plaintiff cites <u>Massa v. Jiffy Products Co. Inc.</u> <u>240 F.2d 702</u> (<u>9th Cir. 1957</u>), as almost identical to the present case. In Massa, the District Court ordered cancellation of Massa's federally issued trademark and ordered registration of defendant's mark upon proper application. The Court of Appeals upheld the District Court's power to do this. <u>240 F.2d at 707</u>.

Plaintiff further argues that defendants' position, which is essentially that where no registered mark is involved in an action, the Court lacks jurisdiction to determine registerability, is contrary to case law and the spirit and purpose of the Lanham Act. Plaintiff cites numerous cases to indicate defendants' position is incorrect and that district courts do have concurrent jurisdiction with the Commissioner of Patents and Trademarks to determine the question of registerability of trademarks. Those cited include Simmonds Aerocessories, Ltd. v. Elastic Stop Nut

Corp., 257 F.2d 485 (3rd Cir. 1958): Old Dutch Foods, Inc. v. Dan Dee Pretzel & Potato Chip Co., 477 F.2d 150 (6th Cir. 1973); Avon Shoe Co. v. David Crystal Inc., 279 F.2d 607 (2nd Cir. 1960); *477Standard Pressed Steel Co. v. Midwest Chrome Process Co., 418 F.Supp. 485 (N.D.III.1976); Continental Connector Corp. v. Continental Specialties Corp., 413 F.Supp. 1347 (D.Conn.1976); and Sam S. Goldstein Industries, Inc. v. Botany Industries Inc., 301 F.Supp. 728 (S.D.N.Y.1969). Accordingly, plaintiff reasons that this Court, in Civil 5-79-14, had authority to order registration of plaintiff's trademark by following the precedent set by the Courts in the cases cited supra.

Defendant, on the other hand, maintains that Civil 5-79-14, involving plaintiff and defendant Vitale's Inc., was dissimilar to the cases cited by plaintiff. Defendant argues that the Lanham Act never contemplated district court jurisdiction where none of the parties involved held a registered trademark.

Section 37 of the Lanham Act provides:

In any action involving a registered mark the court may determine the right to registration, order the cancellation of registrations, in whole or in part, restore cancelled registrations, and otherwise rectify the register with respect to the registrations of any party to the action. Decrees and orders shall be certified by the court to the Commissioner, who shall make appropriate entry upon the records of the Patent Office, and shall be controlled thereby. 15 U.S.C. s 1119 (1976).

The wording of the section appears somewhat vague when read as a whole; nevertheless the entire section is qualified by the first clause, and that clause provides "(i)n any action involving a registered mark." Id. This language indicates that the Court may decide the registerability of a mark only where another registered mark is somehow involved in the Plaintiff contends that this position is contrary to case law. However, every case which plaintiff cites in favor of its argument involves at least one party who holds a registered mark. Plaintiff's own cases support defendants' position.[FN2]

<u>FN2.</u> Plaintiff's memorandum in opposition to defendants' pending motion provided this Court a case which supports defendants' position. In <u>Continental Connector Corp. v. Continental Specialties Corp., 413 F.Supp. 1347 (D.Conn.1976)</u>, Judge Newman reasoned:

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It has been stated that the "courts of the United States have no jurisdiction over registration proceedings except appellate jurisdiction given them by the Trade-Mark Act." Merrick v. Sharp & Dohme, Inc., 185 F.2d 713, 717 (7th Cir. 1950) (dictum). See 15 U.S.C. ss 1052(d), There is no question that 1071(b). jurisdiction over registration proceedings has been confided by Congress in the Patent and Trademark Office. 15 U.S.C. s 1051 et Yet, in some cases, a district court, exercising original jurisdiction, has power to order a registration. See, e. g., Massa v. Jiffy Products Co., 240 F.2d 702 (9th Cir. 1957); cf. Avon Shoe Co. v. David Crystal, Inc., 279 F.2d 607, 614-15 (2d Cir. 1960). In Massa the authority to order such relief was founded upon 15 U.S.C. s 1119, which permits a court in any action "involving a registered mark" to "rectify the register with respect to the registrations of any party to the action."

The parties appear to assume that s 1119 permits a court to order registration of a mark only when it otherwise has jurisdiction to adjudicate a claim involving that same mark. That was the situation in Massa, where the plaintiff alleged infringement of its registered mark, and the court found that defendant owned the mark and was entitled to registration of it. The statute is not so narrowly worded. By giving a court authority to rectify the register with respect to the "registrations" of any party, the statute appears to permit rulings on marks other than the one on which a particular claim is founded. The statute permits a court to act in "any action involving a registered mark." Of course, even under s 1119, a court, exercising jurisdiction over a suit involving a registered mark, would not be expected to entertain unrelated claims for registration of other marks.

Id. at 1348-49.

Defendants' position is well received. This Court may not act unless some party stands before it with a registered mark. This statute allows the Court to correct the Register in a proper infringement action, but the instant case is not such an action. It appears to the Court that plaintiff's proper course is to appeal the Commissioner's most recent decision to the appropriate administrative appeals board; should plaintiff be

dissatisfied with that administrative decision, then it may appeal that decision to the United States Court of Customs and Patent Appeals or to this Court. 15 U.S.C. s 1071 (1976).

The Court, after careful consideration of all the cases noted in this area, finds no *478 precedent which allows it to force the Commissioner to register plaintiff's mark where neither of the parties to the action held a registered trademark at the time of the hearing. The Court is rather moved by defendants' argument.

Alternatively, the decisions reached by this Court in the earlier cause, Civil 5-79-14, were premised upon the parties' stipulation and consent judgment. This Court's interest at that time was to allow the parties to the action to come to an agreement satisfactory to themselves. In agreeing to their stipulation, the Court had no intention to change the law nor affect the rights of others not a party to the case. In agreeing to paragraph 10 in the consent judgment, Vitale's neither gained nor lost anything. Paragraph 10 was drafted merely for the benefit of Jeno's and impacted only the Commissioner, who was not even a party to the action. This Court has serious reservations with binding someone, not a party to the action, to a consent judgment which was essentially worked out in the spirit of compromise between two adversaries, neither of whom represented the interests of the Commissioner.

[9] Accordingly, this Court determines that the Lanham Act was designed to allow the Court to decide the issue of registerability of a mark where at least one of the parties to the action holds a registered trademark at the time the action is commenced. This is not the situation here. This Court has no parallel authority with the Commissioner in this case to decide whether the plaintiff's mark is registerable under the Lanham Act. Under the law, as it stands, plaintiff must make use of its available administrative remedies. Further, the Commissioner is not bound by paragraph 10 of the consent judgment entered in Civil 5-79-14.

Based upon the foregoing:

IT IS ORDERED:

- (1) Plaintiff's motion for summary judgment is denied.
- (2) Defendants' motion for summary judgment is

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granted.

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END OF DOCUMENT



(Cite as: 157 F.Supp.2d 234)



Motions, Pleadings and Filings

United States District Court, S.D. New York. GMA ACCESSORIES, INC. Plaintiff, v. IDEA NUOVA, INC., et al., Defendants. No. 00 Civ. 2732(DC).

Dec. 18, 2000.

Manufacturer of inflatable plastic furniture, being sued by competitor, asserted counterclaims for trademark infringement and dilution. On competitor's motion to dismiss counterclaims, the District Court, Chin, J., held that: (1) complaint adequately alleged that manufacturer's "Room in a Box" mark was protectable; (2) complaint was sufficient to assert trademark dilution claim; (3) Lanham Act section authorizing court to determine rights in trademark registration did not authorize court to cancel pending trademark application; (4) Lanham Act section governing claims for monetary relief and attorney fees made by plaintiffs who have successfully trademark established violation applies unregistered marks; (5) Lanham Act section imposing damages for fraudulent trademark registration applies only to registered marks; (6) complaint failed to plead fraudulent registration with requisite specificity; and (7) court lacked jurisdiction to grant declaratory relief.

Motion granted in part and denied in part.

West Headnotes

[1] Federal Civil Procedure 776 170Ak776 Most Cited Cases

Counterclaim is compulsory when logical relationship exists between claim and counterclaim and essential facts of claims are so logically connected that considerations of judicial economy and fairness dictate that all issues be resolved in one lawsuit. Fed.Rules Civ.Proc.Rule 13(a), 28 U.S.C.A.

[2] Federal Courts 19
170Bk19 Most Cited Cases
Compulsory counterclaim need not have independent

basis of federal jurisdiction. <u>Fed.Rules</u> Civ.Proc.Rule 13(a), 28 U.S.C.A.

[3] Federal Civil Procedure 778.1 170Ak778.1 Most Cited Cases

[3] Federal Civil Procedure 1742(2) 170Ak1742(2) Most Cited Cases

Counterclaim that does not arise out of same transaction or occurrence as opposing party's claim is deemed "permissive," and must be dismissed absent independent jurisdictional predicate. <u>Fed.Rules</u> Civ.Proc.Rule 13(b), 28 U.S.C.A.

1039 Most Cited Cases (Formerly 382k24)

1038 382Tk1038 Most Cited Cases (Formerly 382k25)

Word marks are inherently distinctive, and thus entitled to protection from infringement, if they are "arbitrary," "fanciful," or "suggestive." Lanham Trade-Mark Act, § 43(a), 15 U.S.C.A. § 1125(a).

[5] Trademarks 1032 382Tk1032 Most Cited Cases (Formerly 382k478)

Word mark that is not inherently distinctive is still entitled to protection from infringement if it has acquired distinctiveness by developing secondary meaning, i.e., when, in minds of public, primary significance of mark is to identify source of product rather than product itself. Lanham Trade-Mark Act, § 43(a), 15 U.S.C.A. § 1125(a).

[6] Trademarks 1583 382Tk1583 Most Cited Cases (Formerly 382k478)

Inflatable plastic furniture manufacturer's allegation that its "Room in a Box" mark had acquired secondary meaning was sufficient to establish protectable mark element of infringement claim. Lanham Trade-Mark Act, § 43(a), 15 U.S.C.A. § 1125(a).

Trademarks 1459 382Tk1459 Most Cited Cases (Formerly 382k366)

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Elements of trademark dilution claim are: (1) senior mark must be famous; (2) senior mark must be distinctive; (3) junior use must be commercial use in commerce; (4) junior use must begin after senior mark has become famous; and (5) junior use must cause dilution of distinctive quality of senior mark. Lanham Trade-Mark Act, § 43(c)(1), 15 U.S.C.A. § 1125(c)(1).

[8] Trademarks 1585 382Tk1585 Most Cited Cases (Formerly 382k366)

Inflatable plastic furniture manufacturer's allegations that its "Room in a Box" mark was famous and that competitor adopted similar mark with willful intent to trade on manufacturer's reputation was sufficient to assert trademark dilution claim. Lanham Trade-Mark Act, § 43(c)(1), 15 U.S.C.A. § 1125(c)(1).

[9] Trademarks 1318(1) 382Tk1318(1) Most Cited Cases (Formerly 382k281)

Lanham Act section authorizing court to determine rights in trademark registration did not authorize court to cancel pending trademark application; statute was only applicable to actions involving registered marks. Lanham Trade-Mark Act, § 37, <u>15</u> U.S.C.A. § 1119.

[10] Trademarks 1317(1) 382Tk1317(1) Most Cited Cases (Formerly 382k281)

Lanham Act section authorizing court to determine rights in trademark registration assumes properly instituted and otherwise jurisdictionally supported action involving registered trademark; party cannot seek cancellation offensively and rely solely upon that claim for federal jurisdiction. Lanham Trade-Mark Act, § 37, 15 U.S.C.A. § 1119.

[11] Trademarks 1754(1) 382Tk1754(1) Most Cited Cases (Formerly 382k722)

[11] Trademarks 1650 382Tk1650 Most Cited Cases (Formerly 382k722)

Lanham Act section governing claims for monetary relief and attorney fees made by plaintiffs who have successfully established trademark violation applies to unregistered marks. Lanham Trade-Mark Act, § 35(a), 15 U.S.C.A. § 1117(a).

[12] Trademarks • 1382

382Tk1382 Most Cited Cases

(Formerly 382k264)

Lanham Act section imposing damages for fraudulent trademark registration applies only to registered marks, and not to pending trademark

applications. Lanham Trade-Mark Act, \S 38, $\underline{15}$ U.S.C.A. \S 1120.

[13] Trademarks • 1754(1) 382Tk1754(1) Most Cited Cases

(Formerly 382k729)

Attorney fees are ordinarily not recoverable under Lanham Act section imposing damages for fraudulent trademark registration. Lanham Trade-Mark Act, § 38, 15 U.S.C.A. § 1120.

[14] Federal Civil Procedure 636 170Ak636 Most Cited Cases

(Formerly 382k264)

Claim for fraudulent trademark registration must comply with heightened pleading standards applicable to fraud claims in general. Lanham Trade-Mark Act, § 38, 15 U.S.C.A. § 1120; Fed.Rules Civ.Proc.Rule 9(b), 28 U.S.C.A.

[15] Federal Civil Procedure 636 170Ak636 Most Cited Cases

Party pleading fraud may not do so on information and belief, unless facts underlying fraud are peculiarly in other party's knowledge; even then, however, party pleading fraud bears burden of alleging facts upon which its belief is founded. Fed.Rules Civ.Proc.Rule 9(b), 28 U.S.C.A.

[16] Federal Civil Procedure 636 170Ak636 Most Cited Cases

Inflatable plastic furniture manufacturer failed to allege competitor's fraudulent trademark registration with requisite particularity; there was no allegation that manufacturer was injured by alleged fraud. Lanham Trade-Mark Act, § 38, 15 U.S.C.A. § 1120; Fed.Rules Civ.Proc.Rule 9(b), 28 U.S.C.A.

[17] Declaratory Judgment 272 118Ak272 Most Cited Cases

Declaratory Judgment Act is not itself independent basis for subject matter jurisdiction. 28 U.S.C.A. § 2201.

[18] Declaratory Judgment 237 118Ak237 Most Cited Cases

"Actual controversy" exists in trademark litigation, for purpose of establishing declaratory judgment jurisdiction, if: (1) defendant's conduct has created

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real and reasonable apprehension of liability on part of plaintiff, and (2) plaintiff has engaged in course of conduct which has brought it into adversarial conflict with defendant. <u>U.S.C.A. Const. Art. 3. § 2, cl. 1; 28 U.S.C.A. § 2201.</u>

[19] Declaratory Judgment 237 118Ak237 Most Cited Cases

Court lacked jurisdiction to grant declaratory relief to manufacturer of inflatable plastic furniture, who claimed that competitor had applied to register infringing trademark; application had been suspended, and there was no allegation that competitor had engaged in any meaningful preparation with respect to using mark. <u>U.S.C.A.</u> Const. Art. 3, § 2, cl. 1; 28 U.S.C.A. § 2201.

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The Law Firm of Jeffrey S. Dweck, P.C., By: <u>Jeffrey S. Dweck</u>, New York, New York, for Defendant.

MEMORANDUM DECISION

CHIN, District Judge.

Plaintiff GMA Accessories, Inc. ("GMA") brings this action alleging, inter alia, that defendant Idea Nuova, Inc., GMA's competitor in the novelty industry, infringed upon GMA's copyrighted floral In response, Idea Nuova asserts designs. counterclaims against GMA based on GMA's sale of inflatable furniture under trademarks similar to Idea Nuova's "ROOM IN A BOX" mark. Idea Nuova asserts six amended counterclaims for: (1) trademark infringement, false designation of origin, *237 false description, and false representation under Section 43(a) of the Lanham Act, <u>15 U.S.C.</u> § <u>1125(a)</u>; (2) trademark dilution under Section 43(c) of the Lanham Act, 15 U.S.C. § 1125(c); (3) cancellation of trademark registration, under Section 37 of the Lanham Act, 15 U.S.C. § 1119(c); (4) "fraudulent trademark registration application," under Sections 35(a) and 38 of the Lanham Act, 15 U.S.C. § § 1117(a) and 1120; (5) declaratory relief under the Declaratory Judgment Act, 28 U.S.C. § § 2201; and (6) common law unfair competition.

GMA moves to dismiss the amended counterclaims, contending that because they are permissive rather

than compulsory and because they fail to state a claim under federal law, they must be dismissed pursuant to <u>Fed.R.Civ.P. 12(b)(1)</u> and <u>12(b)(6)</u>. For the reasons that follow, the motion is granted in part and denied in part.

BACKGROUND

A. Facts

The facts as alleged by Idea Nuova and assumed to be true for purposes of this motion, are as follows:

Idea Nuova and GMA are competitors in the business of manufacturing novelty items and selling them to retail stores. (Am.Ans.¶ 120). GMA was started by former employees of Idea Nuova; since its inception in 1990, GMA has hired approximately twenty to twenty-five former Idea Nuova employees, including office workers and designers. (Am.Ans.¶ 122). GMA hires these employees "to ascertain what types of products, designs and labels Idea Nuova is going to sell in the coming seasons" so that it may develop similar, competitive products. (Am.Ans.¶ 123).

One product Idea Nuova creates, designs, and markets is inflatable furniture made from flexible polyvinyl chloride or "PVC." (Am.Ans.¶ 80). Idea Nuova's inflatable PVC furniture is regarded by wholesalers, retailers, and consumers as being of the "highest quality." (Am.Ans.¶ 81). Since 1998, Idea Nuova has sold its inflatable PVC furniture in a "single and novel package" marketed under the trademark "ROOM IN A BOX." [FN1] (Am.Ans.¶ 82). "During all relevant times," Idea Nuova has continuously used the ROOM IN A BOX trademark in connection with its inflatable PVC furniture. In addition, through its wide (Am.Ans.¶ 83). distribution and extensive sales, "the ROOM IN A BOX trademark has developed a secondary meaning and a significance in the minds of the purchasing public," such that the public readily identifies the trademark with Idea Nuova's distinctive furniture. (Am.Ans.¶ ¶ 84-85). Idea Nuova has spent substantial sums of money advertising its ROOM IN A BOX product, and, as a result of its efforts, the ROOM IN A BOX trademark has become an "extremely valuable asset" of Idea Nuova. (Am.Ans.¶¶ 86-87).

<u>FN1.</u> Although Idea Nuova repeatedly refers to itself as "defendant" in its counterclaims, paragraph 82 of its counterclaims alleges that "[p]laintiff designed, and then began manufacturing and selling its highly stylized

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inflatable furniture in or about 1998. Plaintiff sold various items of its inflatable PVC furniture in a single and novel package, and adopted and otherwise used in commerce the trademark ROOM IN A BOX." (Am.Ans.¶ 82). From the context, the Court assumes the references to "plaintiff" to be an error.

In late 1998 or early 1999, after Idea Nuova began using the ROOM IN A BOX trademark in connection with its inflatable PVC furniture, GMA began selling its own inflatable PVC furniture under the names "Inflatable Room In A Box," "Bathroom In *238 A Box," and "Room On The Run." [FN2] (Am.Ans.¶ 89). Idea Nuova alleges that GMA's use of these names in connection with the sale of inflatable PVC furniture "is likely to cause confusion and mistake in the minds of the purchasing public" by creating the impression that GMA's furniture is "authorized, sponsored, or approved by Idea Nuova." (Am.Ans.¶ Idea Nuova further alleges that GMA 91). intentionally and wilfully adopted marks that are "confusingly similar" to Idea Nuova's ROOM IN A BOX trademark in an effort to take unfair advantage of Idea Nuova's goodwill and reputation. (Am.Ans.¶ ¶ 92-93). Finally, Idea Nuova asserts that GMA's use of confusingly similar marks "dilute[s] the distinctive quality of defendant Idea Nuova's names." (Am.Ans.¶ 116).

<u>FN2.</u> The parties are inconsistent in their capitalization of the various trademarks. Where quoting, the Court will follow the parties' usage.

In January 1999 and again in May 1999, Idea Nuova demanded that GMA cease and desist from using names or marks confusingly similar to Idea Nuova's ROOM IN A BOX mark. (Am.Ans.¶ 94). GMA did not comply with the demand; instead, it filed an application with the Patent and Trademark Office ("PTO") to trademark the name "Room in A Box" for use on "inflatable toy furniture." (Am.Ans.¶ 95). GMA's application for the "Room in a Box" trademark was "suspended" because the PTO determined that another company--not Idea Nuova-had "first use" of the mark. (Affirmation of Michele Ficarra, dated Aug. 4, 2000, ¶ 5). JFN3] Indeed, it appears that at least four non-parties to this action have, at some point, registered the mark "ROOM IN A BOX" or variations thereof. (Ficarra Aff. ¶¶ 6-7, Ex. D). Idea Nuova has not disputed that it never attempted to register the ROOM IN A BOX trademark.

FN3. When deciding a motion pursuant to Fed.R.Civ.P. 12(b)(1), the Court may consider affidavits and other evidence outside the pleadings. See Gianni Sport Ltd. v. Metallica, No. 00 Civ. 0937, 2000 WL 1773511, at *2 (S.D.N.Y. Dec. 4, 2000) (citing Kamen v. American Tel. & Tel. Co., 791 F.2d 1006, 1011 (2d Cir.1986)).

B. Prior Proceedings

On August 7, 2000, GMA moved to dismiss Idea Nuova's counterclaims, contending that because the counterclaims: (1) are permissive rather than compulsory, and (2) fail to state a federal cause of action, they must be dismissed pursuant to Fed.R.Civ.P. 12(b)(1) and 12(b)(6). On September 5, 2000, Idea Nuova both opposed the motion and amended its counterclaims to address some of the pleading defects identified in GMA's motion. See Fed.R.Civ.P. 15(a); Rose v. Associated Univs., Inc., No. 00 Civ. 0460, 2000 WL 1457115, at *3 (S.D.N.Y. Sep. 28, 2000) (motion to dismiss is not a responsive pleading). Unsatisfied, GMA moved to dismiss the amended counterclaims on the same grounds it previously raised.

DISCUSSION

A. Motion to Dismiss Standard

In reviewing a motion to dismiss, I must accept the factual allegations set forth in the complaint (or, as here, a counterclaim) as true, and draw all reasonable inferences in favor of the plaintiff. See Bernheim v. Litt, 79 F.3d 318, 321 (2d Cir.1996). A complaint may not be dismissed under Fed.R.Civ.P. 12(b)(6) unless it "appears beyond doubt that the plaintiff can prove no set of facts in support of his claim which would entitle him to relief." Cooper v. Parsky, 140 F.3d 433, 440 (2d Cir.1998) (quoting Conley v. Gibson, 355 U.S. 41, 45-46, 78 S.Ct. 99, 2 L.Ed.2d 80 (1957)). In *239 other words, the issue before the Court on a motion to dismiss "is not whether ... plaintiff will ultimately prevail but whether the claimant is entitled to offer evidence to support the claims." Villager Pond, Inc. v. Town of Darien, 56 F.3d 375, 378 (2d Cir.1995) (citation omitted), cert. denied, 519 U.S. 808, 117 S.Ct. 50, 136 L.Ed.2d 14 (1996).

B. Compulsory v. Permissive Counterclaims

[1][2] Pursuant to Fed.R.Civ.P. 13(a), "[a] pleading shall state as a counterclaim any claim [that] ... arises

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out of the transaction or occurrence that is the subject matter of the opposing party's claim and does not require for its adjudication the presence of third parties of whom the court cannot acquire jurisdiction." A counterclaim is compulsory when a "logical relationship exists between the claim and the counterclaim and ... the essential facts of the claims are so logically connected that considerations of judicial economy and fairness dictate that all the issues be resolved in one lawsuit." Adam v. Jacobs, 950 F.2d 89, 92 (2d Cir.1991) (internal quotations omitted); see AT & T Corp. v. American Cash Card Corp., 184 F.R.D. 515, 519 (S.D.N.Y.1999) (quoting same). A compulsory counterclaim need not have an independent basis of federal jurisdiction. See Klein y. London Star Ltd., 26 F.Supp.2d 689, 697 (S.D.N.Y.1998) (citing Harris v. Steinem, 571 F.2d 119, 122 (2d Cir.1978)).

[3] In contrast, a counterclaim that does not arise out of the same transaction or occurrence as the opposing party's claim is deemed "permissive," see Fed.R.Civ.P. 13(b), and must be dismissed absent "an independent jurisdictional predicate." Klein, 26 F.Supp.2d at 697. Here, Idea Nuova does not contest GMA's characterization of its counterclaims as permissive. Rather, Idea Nuova alleges that its counterclaims do have an independent jurisdictional predicate; that is, the counterclaims are sufficient to state a claim under the Lanham Act.

C. Section 43(a) of the Lanham Act

[4] Idea Nuova asserts a counterclaim for trademark infringement, false designation of origin, false description, and false representation pursuant to section 43(a) of the Lanham Act. Section 43(a) provides protection for unregistered marks by giving "a producer a cause of action for the use by any person of 'any word, term, name, symbol, or device, or any combination thereof ... which is likely to cause confusion ... as to the origin, sponsorship, or approval or his or her goods....' " Wal-Mart Stores, Inc. v. Samara Bros., Inc., 529 U.S. 205, 120 S.Ct. 1339, 1342, 146 L.Ed.2d 182 (2000) (quoting 15 U.S.C. § 1125(a)). To be entitled to protection under § 43(a), a mark must be distinctive. A word mark, such as ROOM IN A BOX, [FN4] may be distinctive in one of two ways. First, the mark may be "inherently distinctive," meaning "[its] intrinsic nature serves to identify a particular source." <u>Id. at 1343.</u> Word marks are held to be inherently distinctive if they are "arbitrary," "fanciful," or "suggestive." Id. (citing Abercrombie & Fitch Co. v. Hunting World, Inc., 537 F.2d 4, 10-11 (2d Cir.1976)); see BigStar Entertainment, Inc. v. Next Big Star, Inc., 105 F.Supp.2d 185, 195-98 (S.D.N.Y.2000).

<u>FN4.</u> Idea Nuova does not appear to be alleging a claim for trade dress infringement based on GMA's manufacture and sale of inflatable PVC furniture.

[5] Second, a word mark that is not inherently distinctive is still entitled to protection if it has "acquired distinctiveness" by developing a secondary meaning. *240 Wal-Mart, 120 S.Ct. at 1343. mark has a secondary meaning "when, in the minds of the public, the primary significance of [the mark] is to identify the source of the product rather than the product itself.' " *Id.* (quoting *Inwood Labs., Inc. v. Ives Labs., Inc.*, 456 U.S. 844, 851, n. 11, 102 S.Ct. 2182, 72 L.Ed.2d 606 (1982)). Marks that are not suggestive, arbitrary, or fanciful, but rather "descriptive" in nature require a showing of secondary meaning to be eligible for protection under 43(a). See BigStar, 105 F.Supp.2d at 196 (discussing difference between suggestive and descriptive terms); see also La Cibeles, Inc. v. Adipar, Ltd., No. 99 Civ. 4129, 2000 WL 1253240, at *5 (S.D.N.Y. Sept. 1, 2000) (proof of secondary meaning not required for suggestive marks). GMA contends that Idea Nuova fails to state a claim under § 43(a) because it has not sufficiently alleged that ROOM IN A BOX has either inherent or acquired distinctiveness.

[6] Idea Nuova has alleged, however, that the ROOM IN A BOX mark "has developed a secondary meaning and significance in the minds of the purchasing public" and that the public "immediately identif[ies]" inflatable PVC furniture bearing the ROOM IN A BOX name with Idea Nuova. 84). Because Idea Nuova has (Am.Ans.¶ sufficiently alleged secondary meaning, I need not decide at this time whether ROOM IN A BOX is suggestive, such that it is eligible for protection under the Lanham Act without proof of secondary meaning, or descriptive, such that proof of secondary meaning is required. It is certainly possible that Idea Nuova will be unable to substantiate its allegations. Nevertheless, at this early juncture I am required to accept the truth of the allegations in the amended counterclaims. Accordingly, GMA's motion to dismiss Idea Nuova's § 43(a) claim is denied.

D. Federal Trademark Dilution Act

Idea Nuova alleges dilution of its ROOM IN A BOX trademark pursuant to the Federal Trademark

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Dilution Act ("FTDA"), § 43(c) of the Lanham Act, 15 U.S.C. § 1125(c). The FTDA provides in relevant part:

The owner of a famous mark shall be entitled, subject to the principles of equity and upon such terms as the court deems reasonable, to an injunction against another person's commercial use in commerce of a mark or trade name, if such use begins after the mark has become famous and causes dilution of the distinctive quality of the mark

15 U.S.C. § 1125(c)(1). Dilution is defined as: "the lessening of the capacity of a famous mark to identify and distinguish goods or services, regardless of the presence or absence of--(1) competition between the owner of the famous mark and other parties, or (2) likelihood of confusion, mistake, or deception." 15 U.S.C. § 1127.

[7] There are "five necessary elements" to a claim of trademark dilution under the FTDA: "(1) the senior mark must be famous; (2) it must be distinctive; (3) the junior use must be a commercial use in commerce; (4) it must begin after the senior mark has become famous; and (5) it must cause dilution of the distinctive quality of the senior mark." Nabisco, Inc. v. PF Brands, Inc., 191 F.3d 208, 215 (2d Cir. 1999); see Cello Holdings, L.L.C. v. Lawrence-Dahl Cos., 89 F.Supp.2d 464, 472 (S.D.N.Y.2000). GMA's sole argument in support of its motion to dismiss Idea Nuova's amended counterclaim for trademark dilution is that Idea Nuova failed to allege that GMA's "use of the mark began 'after the senior mark has become famous.' " (GMA Rep. Br. pp. 1-2) (quoting Nabisco, 191 F.3d at 215).

*241 [8] Idea Nuova has alleged, however, that its ROOM IN A BOX mark is "famous" and "distinctive." (Am.Ans.¶ ¶ 85, 99). In addition, Idea Nuova has alleged that GMA's manufacture and sale of inflatable furniture under names allegedly similar to Idea Nuova's ROOM IN A BOX began after Idea Nuova "adopted and used the ROOM IN A BOX trademark" and that GMA "wilfully intended to trade on Idea Nuova's reputation and/or to cause dilution of Idea's Nuova's famous" mark. (Am.Ans.¶ 89, 99). Although Idea Nuova's ultimate ability to prevail on its FTDA claim is questionable, at this early stage Idea Nuova has pleaded the elements of its claim.

E. Section 37 of the Lanham Act

[9] Idea Nuova seeks to "cancel" GMA's "Room In a Box" trademark application and GMA's "Room on

the Run" trademark registration pursuant to § 37 of the Lanham Act, <u>15 U.S.C.</u> § <u>1119</u>. GMA first argues that Section 37 is inapplicable to its pending trademark application. I agree.

Section 37 provides in relevant part: "[i]n any action involving a registered mark the court may determine the right to registration, order the cancelation of registrations, in whole or in part, restore canceled registrations, and otherwise rectify the register with respect to the registrations of any party to the action." 15 U.S.C. § 1119. Thus, by its terms, § 37 contemplates an action involving a registered trademark. See id.; see also In re Falchi, No. 97 B 43080, 1998 WL 274679, at *7 (Bankr.S.D.N.Y. May 27, 1998) ("to obtain an order cancelling a trademark registration under § 37 ... plaintiff must allege a controversy as to the validity of or interference with a registered trademark"); Universal Sewing Machine Co. v. Standard Sewing Equip. Corp., 185 F.Supp. 257, 260 (S.D.N.Y.1960) (Section 37 assumes an action involving a registered mark). Idea Nuova cites no authority for the proposition that § 37 permits a district court to cancel a pending trademark application. [FN5] Accordingly, Idea Nuova's § 37 claim to "cancel" GMA's as yet unregistered trademark, "Room in a Box," is dismissed.

FN5. Gova Foods v. Tropicana Prods., Inc., 846 F.2d 848, 854 (2d Cir.1988), cited by Idea Nuova, does not provide such authority; there, the Second Circuit merely held that the doctrine of primary jurisdiction does not require a court to stay a trademark infringement litigation pending the outcome of a PTO registration proceeding.

[10] GMA next argues that there is no other justiciable controversy between the parties involving GMA's registered trademark, Room on the Run, and that the Court therefore lacks subject matter jurisdiction to entertain an action for the mark's cancellation. Section 37 "assume[s] a properly instituted and otherwise jurisdictionally supported action involving a registered trademark." Controls, Inc. v. Moog, Inc., 923 F.Supp. 427, 431 Thus, a party cannot seek (W.D.N.Y.1996). cancellation offensively and rely solely upon that claim for federal jurisdiction. Id. Here, however, Idea Nuova claims that GMA's use of the Room on the Run trademark infringes Idea Nuova's ROOM IN A BOX mark in violation of § 39(a) of the Lanham Act. There exists an independent basis for federal jurisdiction "involving" GMA's registered trademark;

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accordingly, GMA's second argument is rejected. As GMA does not challenge Idea Nuova's standing to seek cancellation of GMA's trademark or its purported basis for doing so, I need not and do not reach these issues. See, e.g., Cunningham v. Laser Golf Corp., 222 F.3d 943, 945 (Fed. Cir. 2000).

*242 F. Sections 35(a) and 38 of the Lanham Act

Idea Nuova asserts a claim pursuant to Sections 35(a) and 38 of the Lanham Act, 15 U.S.C. § § 1117(a) and 1120, entitled "fraudulent trademark registration application." (Am.Ans.¶ ¶ 109-10). The claim seeks "damages as a result of GMA's improper federal trademark registration applications" and attorneys' fees. The amended counterclaims do not make clear whether Idea Nuova is referring to GMA's registered trademark, "Room on the Run," or pending trademark application, "Room in a Box."

1. Section 35(a)

[11] "Section 35(a) of the Lanham Act governs claims for monetary relief and attorney fees made by plaintiffs who have successfully established a trademark violation." International Star Class Yacht Racing Ass'n v. Tommy Hilfiger, U.S.A., Inc., 80 F.3d 749, 752 (2d Cir.1996). The statute provides in relevant part: "the plaintiff shall be entitled, ... subject to the principles of equity, to recover (1) defendant's profits, (2) any damages sustained by the plaintiff, and (3) the costs of the action...." 15 U.S.C. In addition, the court may award § 1117(a). reasonable attorneys' fees to the prevailing party in "exceptional cases." See id.; International Star, 80 GMA contends that Idea Nuova's F.3d at 752. Section 35(a) claim must be dismissed because (1) Section 35(a) is inapplicable to unregistered marks, and (2) Idea Nuova does not state a claim under §

By its terms, Section 35(a) applies to violations of § 1125(a)—the section of the Lanham Act that provides protection for unregistered marks—accordingly, GMA's first argument is rejected. GMA's second argument is rejected as well, as I have previously held that Idea Nuova's claim for violations of Section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a), survives the motion to dismiss. Moreover, Idea Nuova has alleged that GMA intentionally created confusion to deceive prospective purchasers. This allegation, if true, could support a claim under Section 35(a). [FN6] See International Star, 80 F.3d at 754 (citing Restatement (Third) of Unfair Competition § 37 cmt. e (1995)); United Greeks.

Inc. v. Klein, No. 00 Civ. 0002, 2000 WL 554196, at *2 (N.D.N.Y. May 2, 2000). Accordingly, GMA's motion to dismiss Idea Nuova's Section 35(a) claim is denied.

<u>FN6.</u> It is unclear why Idea Nuova purports to base its Section 35(a) claim for damages and fees on alleged false statements GMA made in its trademark applications; such statements are not a prerequisite to recovery under Section 35(a).

2. Section 38

[12] Idea Nuova also purports to bring its claim for attorneys' fees and damages pursuant to Section 38 of the Lanham Act. Section 38 provides in relevant part:

Any person who shall procure registration in the Patent and Trademark Office of a mark by a false or fraudulent declaration or representation, oral or in writing, or by any false means, shall be liable in a civil action by any person injured thereby for any damages sustained in consequence thereof.

15 U.S.C. § 1120.

To the extent Idea Nuova is alleging a claim based on GMA's suspended "Room In A Box" trademark application, the claim must fail; by its terms Section 38, 15 U.S.C. § 1120, does not apply to trademark applications that have not been registered. See Bernard v. Commerce Drug Co., 774 F.Supp. 103, 109 (E.D.N.Y.1991), aff'd, 964 F.2d 1338 (2d Cir.1992). To the extent Idea Nuova's claim is instead based *243 on GMA's registered "Room on the Run" trademark, it fares no better.

[13] First, attorneys' fees are ordinarily not recoverable under § 38. See <u>Havana Club Holding</u>, S.A. v. Galleon, S.A., No. 96 Civ. 9655, 1998 WL 150983, at *2 (S.D.N.Y. Mar. 31, 1998) (citing Blue Bell, Inc. v. Jaymar-Ruby, Inc., 497 F.2d 433, 439 (2d Cir.1974)). Although it is possible "fees could be awarded in a case where an absolutely false registration was fraudulently obtained solely for the purpose of instituting completely vexatious litigation," Idea Nuova has failed to plead that GMA filed a trademark application "solely ... to facilitate meritless litigation." Havana Club, 1998 WL 150983, at *2 (granting motion to dismiss § 38 claim) (internal quotation marks and citation omitted).

[14] Second, a claim for fraudulent registration under § 38, like any fraud claim, must comply with the heightened pleading standards of Fed.R.Civ.P. 9(b). See Havana Club, 1998 WL 150983, at *3 n.

(Cite as: 157 F.Supp.2d 234)

8; see also Fed.R.Civ.P. 9(b) ("[i]n all averments of fraud or mistake, the circumstances constituting fraud or mistake shall be stated with particularity"). The heightened pleading requirements apply to each element of the fraud claim. See Havana Club, 1998 WL 150983, at *3. Here, Idea Nuova has failed to plead its claim with the requisite degree of particularity.

[15] In support of its claim, Idea Nuova points to paragraph 97 of its amended counterclaims, which states:

Upon information and belief, plaintiff GMA knowingly and intentionally made false and fraudulent representations in its trademark applications that, *inter alia*, it was the owner of the "Room in A Box" mark and the "Room on the Run" mark and that no other person or entity has the right to use those marks in commerce or other marks likely to cause confusion or to cause mistake, or to deceive.

(Am.Ans. P. 97). In general, a party pleading fraud may not do so on "information and belief." An exception to this general rule exists when the facts underlying the fraud are peculiarly in the other party's knowledge. Even then, however, the party pleading fraud "bears the burden of alleging the facts upon which [its] belief is founded." Weaver v. Chrysler Corp., 172 F.R.D. 96, 101 (S.D.N.Y.1997) (citing DiVittorio v. Equidyne Extractive Indus., Inc., 822 F.2d 1242 (2d Cir.1987)). Idea Nuova has failed to show that the exception applies in this case.

[16] In addition, Idea Nuova has failed to plead two elements of its fraud claim--causation and damages-at all, much less with particularity; that is, it has failed to plead how it was injured as a result of GMA's allegedly false statement on its Room on the Run application. See, e.g. Havana Club, 1998 WI_150983, at *3. Indeed, Idea Nuova has not even made the conclusory allegation that it lost sales due to the statement. Accordingly, GMA's motion to dismiss Idea Nuova's § 38 claim is granted.

G. Declaratory Judgment

Idea Nuova seeks a declaration pursuant to <u>28</u> <u>U.S.C.</u> § <u>2201</u> that GMA's use of the ROOM IN A BOX mark "in connection with the sale of inflatable furniture ... would constitute an infringement of defendant Idea Nuova's trademark." (Am.Ans.¶ 112). GMA moves to dismiss the claim pursuant to <u>Fed.R.Civ.P.</u> <u>12(b)(1)</u>, arguing that (1) the Declaratory Judgment Act does not provide Idea Nuova with a basis for subject matter jurisdiction,

and (2) Idea Nuova's claim for declaratory relief is not justiciable by this Court because there is no "actual controversy" between the parties.

*244 [17][18] It is well-settled that the Declaratory Judgment Act is not itself an independent basis for subject matter jurisdiction. See Niagara Mohawk Power Corp. v. Tonawanda Band of Seneca Indians, 94 F.3d 747, 752 (2d Cir.1996). In addition, the Declaratory Judgment Act "permits declaratory relief only in cases presenting 'actual controvers[ies],' ... a requirement that incorporates into the statute the case or controversy limitation on federal jurisdiction found in Article III of the Constitution." Id. The test for whether an "actual controversy" exists in the context of trademark litigation has two prongs,

both of which must be satisfied in order to establish declaratory judgment jurisdiction: (1) has the defendant's conduct created a real and reasonable apprehension of liability on the part of the plaintiff, and (2) has the plaintiff engaged in a course of conduct which has brought it into adversarial conflict with the defendant.

Starter Corp. v. Converse, Inc., 84 F.3d 592, 595 (2d Cir.1996). The latter prong is usually met by showing that the plaintiff has "a definite intent and apparent ability to commence use of the mark[]." Id. (internal quotations omitted); see Gianni Sport Ltd. v. Metallica, No. 00 Civ. 0937, 2000 WL 1773511, at *3 (S.D.N.Y. Dec. 4, 2000) (standard intended to "prevent parties with merely a vague and unspecific desire to use a mark from seeking an opinion on hypothetical facts") (internal quotations omitted).

A declaratory plaintiff in a trademark action is, in most instances, seeking a declaration that it is free to use a mark without incurring liability for infringement. See, e.g. Starter Corp., 84 F.3d at 594; Gianni, 2000 WL 1773511, at *1. Here, however, counterclaim plaintiff Idea Nuova is seeking a declaration that GMA's use of the mark ROOM IN A BOX infringes Idea Nuova's trademark. Accordingly, it is necessary to reverse the nomenclature of the parties when applying the Starter Corp. test.

[19] Applying this test, it is clear that Idea Nuova has not sufficiently pled that GMA has "a definite intent and apparent ability to commence use of" the ROOM IN A BOX mark. The amended counterclaims do not allege that GMA engaged in any "meaningful preparation" with respect to using the mark. See Starter Corp., 84 F.3d at 596-97. Idea Nuova's allegation that GMA filed an application to trademark "Room in a Box"--an

(Cite as: 157 F.Supp.2d 234)

application that the PTO has since suspended--at most shows that GMA has a "vague or general desire" to use the mark. <u>Starter Corp.</u>, 84 F.3d at 596. Such allegations are insufficient to establish the existence of an actual controversy. Accordingly, Idea Nuova's claim for declaratory relief is dismissed for lack of subject matter jurisdiction. <u>IFN71</u>

<u>FN7.</u> In its opposition papers, Idea Nuova seeks to bolster its claim for declaratory relief by arguing that "there is a controversy regarding Idea Nuova's claim that GMA's 'Inflatable Room In A Box,' 'Bathroom In A Box,' and/or 'Room On The Run,' names infringe on Idea Nuova's ROOM IN A BOX mark." (Idea Nuova Mem. p. 6). Idea Nuova does not seek such broad declaratory relief in its amended counterclaims, however, and it cannot supplement or amend its claims by way of argument.

H. Unfair Competition

GMA has not moved to dismiss Idea Nuova's common law unfair competition claim pursuant to Fed.R.Civ.P. 12(b)(6). Because Idea Nuova states a claim under the Lanham Act, I will exercise supplemental jurisdiction over its related unfair competition claim pursuant to 28 U.S.C. § 1367. See, e.g. *245Hofmann v. Kleinhandler, No. 93 Civ. 5638, 1994 WL 240335, at *6-7 (S.D.N.Y. May 31, 1994) (exercising supplemental jurisdiction over state law unfair competition claim) (citing <u>United Mine Workers v. Gibbs</u>, 383 U.S. 715, 725-28, 86 S.Ct. 1130, 16 L.Ed.2d 218 (1966)).

CONCLUSION

For the foregoing reasons, plaintiff's motion to dismiss Idea Nuova's amended counterclaims is granted in part and denied in part. Idea Nuova's amended counterclaims seeking relief (1) under § 37 of the Lanham Act, 15 U.S.C. § 1119, with respect to GMA's unregistered trademark, (2) § 38 of the Lanham Act, 15 U.S.C. § 1120, and (3) the Declaratory Judgment Act, 28 U.S.C. § 2201, are dismissed.

SO ORDERED.

Motions, Pleadings and Filings (Back to top)

• <u>1:00cv02732</u> (Docket) (Apr. 07, 2000)

END OF DOCUMENT





Motions, Pleadings and Filings

United States District Court,
M.D. Florida,
Fort Myers Division.
WHITNEY INFORMATION NETWORK, INC. and
Russ Whitney, Plaintiffs,
v.

Matt GAGNON and Mazu Publishing Company, Defendants. No. 2:03-CV-677-FTM29SPC.

Jan. 14, 2005.

Background: Website operator sued competitor for infringement of its service marks. Competitor counterclaimed for declaratory relief, abuse of process, unfair competition, and prima facie tort. Operator moved to dismiss counterclaims.

Holdings: The District Court, Steele, J., held that:

- (1) court lacked authority to cancel application for service mark;
- (2) counterclaim failed to state claim for abuse of process;
- (3) counterclaim failed to state claim for unfair competition; and
- (4) Florida law does not recognize prima facie tort cause of action.

Motion granted.

West Headnotes

[1] Federal Civil Procedure 1774 170Ak1774 Most Cited Cases

Motion to dismiss counterclaim for failure to state claim is evaluated in same manner as motion to dismiss complaint. Fed.Rules Civ.Proc.Rule 12(b)(6), 28 U.S.C.A.

[2] Federal Civil Procedure € 1774 170Ak1774 Most Cited Cases

Dismissal of counterclaim for failure to state claim is warranted if, assuming truth of factual allegations of counterclaim, there is dispositive legal issue which precludes relief. <u>Fed.Rules Civ.Proc.Rule 12(b)(6)</u>, 28 U.S.C.A.

[3] Federal Civil Procedure 1774 170Ak1774 Most Cited Cases

Counterclaim that incorporated all allegations of each count in every successive count, as well as all paragraphs in defendant's answer and affirmative defenses, was subject to dismissal as shotgun pleading.

[4] Trademarks 2299 382Tk1299 Most Cited Cases (Formerly 382k281)

Statutes authorizing court to cancel registered service mark do not allow for cancellation of application for service mark. Lanham Trade-Mark Act, § § 14, 37, 15 U.S.C.A. § § 1064, 1119.

15] Process 168
313k168 Most Cited Cases

Under Florida law, "abuse of process" involves use of criminal or civil legal process against another primarily to accomplish purpose for which it was not designed.

[6] Process 168 313k168 Most Cited Cases

Under Florida law, cause of action for abuse of process requires both allegations of willful and intentional misuse of process for some wrongful or unlawful object, or collateral purpose, and that act or acts constituting misuse occurred after process was issued.

[7] Process 171
313k171 Most Cited Cases

Under Florida law, claim that plaintiffs filed trademark infringement lawsuit for variety of improper or unlawful purposes, but not alleging any post-issuance abuse of process, was insufficient to state claim for abuse of process.

[8] Antitrust and Trade Regulation 29Tk16 Most Cited Cases

(Formerly 382k403 Trade Regulation)
Elements of unfair competition under Florida common law are: (1) deceptive or fraudulent conduct of competitor and (2) likelihood of consumer confusion.

1184 382Tk1184 Most Cited Cases

(Formerly 382k403)

[9] Trademarks 1531 382Tk1531 Most Cited Cases (Formerly 382k375.1)

Although trademark misuse may be affirmative defense to trademark infringement action, it does not give rise to independent Florida common law unfair competition claim.

[10] Torts — 151 379k151 Most Cited Cases (Formerly 379k1)

Florida law does not recognizes prima facie tort cause of action.

*1209 <u>Scott W. Rothstein, Christina Marie Kitterman, Melissa Britt Lewis,</u> Rothstein, Rosenfeldt, Dolin & Pancier, P.A., Ft. Lauderdale, FL, for Plaintiffs.

Matt Gagnon, Portland, OR, pro se.

Mazu Publishing, Portland, OR, pro se.

OPINION AND ORDER

STEELE, District Judge.

This matter comes before the Court on Plaintiffs' Motion to Dismiss Counts I, II, IV and V of Defendants' Counterclaim and Motion to Strike (Doc. # 32), filed on July 6, 2004. Defendants filed a Memorandum of Law in Opposition (Doc. # 35) on July 27, 2004. With the Court's permission, plaintiffs filed a Reply (Doc. # 38) on August 26, 2004. For the reasons set forth *1210 below, the Court will dismiss the entire Counterclaim, but allow an amended counterclaim as to some of the claims.

I.

This case involves two companies, each operating its own website. Plaintiffs Russ Whitney and Whitney Information Network ("WIN") own a website that promotes their products and services relating to financial investments. Defendants similarly operate a website on which they offer and sell products relating to financial investments. Plaintiff WIN has service mark registration applications pending before the United State Patent and Trademark Office ("USPTO") for "Russ Whitney" and "Whitney," but these service marks have not yet been registered. The Complaint alleges that Defendants have used these service marks to obtain top placement results for Defendants' website on various internet search

engines, and that the website contains negative remarks about Plaintiffs. The Complaint alleges that Defendants' conduct violated federal and state law relating to trademark use.

In response to the Complaint, Defendants filed their answer and affirmative defenses as well as a five-count Counterclaim. (Doc. # 25). Defendants' Counterclaim purports to state claims for (1) cancellation of Plaintiffs' application to register the service marks "Russ Whitney" and "Whitney" with the USPTO; (2) common-law abuse of process for bringing the instant lawsuit against Defendants; (3) declaratory relief stating that Plaintiffs have no rights to the subject service marks and that Defendants did not breach a Settlement Agreement of March 2002; (4) common-law unfair competition for Plaintiffs' misuse of the service marks; and (5) prima facie tort for Plaintiffs' wrongful initiation of the instant lawsuit.

II.

[1][2] A motion to dismiss a counterclaim under Fed.R.Civ.P. 12(b)(6) is evaluated in the same manner as a motion to dismiss a complaint. Fabricant Sears Roebuck, 202 F.R.D. (S.D.Fla.2001). In deciding a motion to dismiss, the Court must accept all factual allegations in the counterclaim as true and take them in the light most favorable to the counter-claimant. Christopher v. Harbury, 536 U.S. 403, 406, 122 S.Ct. 2179, 153 L.Ed.2d 413 (2002); Hill v. White, 321 F.3d 1334, 1335 (11th Cir.2003). A counterclaim should not be dismissed unless it appears beyond doubt that the counter-claimant can prove no set of facts that would entitle it to relief. Conley v. Gibson, 355 U.S. 41, 45-46, 78 S.Ct. 99, 2 L.Ed.2d 80 (1957) (footnote omitted); Marsh v. Butler County, Ala., 268 F.3d 1014, 1022 (11th Cir.2001) (en banc). To satisfy the pleading requirements of Fed.R.Civ.P. 8, a counterclaim must simply give fair notice of what the counter-claimant's claim is and the grounds upon which it rests. Swierkiewicz v. Sorema N.A., 534 U.S. 506, 512, 122 S.Ct. 992, 152 L.Ed.2d 1 (2002). However, dismissal is warranted under Fed.R.Civ.P. 12(b)(6) if, assuming the truth of the factual allegations of the counterclaim, there is a dispositive legal issue which precludes relief. Neitzke v. Williams, 490 U.S. 319, 326, 109 S.Ct. 1827, 104 L.Ed.2d 338 (1989); Brown v. Crawford County, Ga., 960 F.2d 1002, 1009-10 (11th Cir.1992). The Court need not accept unsupported conclusions of law or of mixed law and fact in a counterclaim. Marsh, 268 F.3d at 1036 n. 16.

[3] Additionally, a party may not incorporate all allegations of each count in every successive count. *Magluta v. Samples*, 256 F.3d 1282, 1284 (11th Cir.2001); *Cramer v. State of Florida*, 117 F.3d 1258, 1263 (11th Cir.1997). Here, each count of *1211 the Counterclaim incorporates not only all the previous counts, but all paragraphs in the answer and affirmative defenses. Accordingly, the entirety of the Counterclaim will be dismissed as a shotgun pleading, and the Court will discuss below whether the counts are otherwise also subject to dismissal and whether leave to file an amended counterclaim as to that count will be granted.

III.

[4] In Count One of the Counterclaim, Defendants request, pursuant to 15 U.S.C. § § 1064 and 1119, that the Court declare the service marks to be invalid and unenforceable and cancel Plaintiffs' applications for registration of the service marks. Plaintiffs contend that Count One must be dismissed for failure to state a claim. More specifically, Plaintiffs contend that the statutes only allow a court to cancel a registered mark, not an application for a service mark, and because there is currently no registered mark, there can be no cause of action for cancelation or invalidation of the mark. The Court agrees with Plaintiffs.

Registration is central to the statutory scheme and the court's ability to cancel or otherwise affect a service mark. <u>Title 15 U.S.C. § 1064</u> allows the filing of "[a] petition to cancel a registration of a mark ..." within five years of the date of the registration of the mark or at other specified times. Federal courts are given the power to cancel registered marks by <u>15 U.S.C. § 1119</u>, which provides:

In any action involving a registered mark the court may determine the right to registration, order the cancelation of registrations, in whole or in part, restore canceled registrations, and otherwise rectify the register with respect to the registrations of any party to the action. Decrees and orders shall be certified by the court to the Commissioner, who shall make appropriate entry upon the records of the Patent and Trademark Office, and shall be controlled thereby.

A registered mark must exist before an action "involv[es] a registered mark." A mark does not become registered until the USPTO does so. See 15 U.S.C. § 1127 ("The term 'registered mark' means a mark registered in the United States Patent and Trademark Office under this chapter."). The Court concludes that in order to state a claim under these

statutory provisions, one of the parties must hold a registered trademark with the USPTO; the existence of a pending application is not sufficient. [FN1] See State of Fla., Dept. of Citrus v. Real Juices, Inc., 173 U.S.P.Q. 775, 777 (M.D.Fla.1972) (to maintain an action under 15 U.S.C. § 1119, it was necessary that either the plaintiff or the defendant possess a registered mark); Dunn Computer Corp. v. Loudcloud, Inc., 133 F.Supp.2d 823, 831 (E.D.Va.2001) ("[A claim under Section 1119] must involve an existing 'registered mark,' not one that may come into existence in the future.").

<u>FN1.</u> The Court notes that if an application is denied, a claimant may bring a federal suit challenging the USPTO's decision under another statutory provision, <u>15 U.S.C. §</u> 1071(b).

In the present case, Count One of the Counterclaim does not allege the existence of a registered mark, and it is undisputed that Plaintiff WIN merely has an application for registration pending before the USPTO. (Doc. # 1, ¶ 15; Doc. # 25, ¶ ¶ 96, 109-112). A pending application for a service mark is insufficient to satisfy the statutory requirement under section 1119 that the action involve a registered mark. Because Plaintiffs fail to state a claim under section 1119, Count One will be dismissed. Plaintiffs will be allowed to include this claim in an amended counterclaim only if *1212 they can plead the existence of a registered service mark.

IV.

Plaintiffs assert that Count Two of the Counterclaim fails to state a claim for abuse of process under Florida law because there are no allegations of misuse of process after the process issued. The Court agrees.

[5][6] Under Florida law, abuse of process involves the use of criminal or civil legal process against another primarily to accomplish a purpose for which it was not designed. See Cline v. Flagler Sales Corp., 207 So.2d 709, 711 (Fla. 3d DCA 1968). "A cause of action for abuse of process requires both allegations of a willful and intentional misuse of process for some wrongful or unlawful object, or collateral purpose, and that the act or acts constituting the misuse occur after the process is issued." Miami Herald Pub. Co., Div. Of Knight-Ridder v. Ferre, 636 F.Supp. 970, 974-975 (S.D.Fla.1985) (interpreting Florida law regarding abuse of process); see also Marty v. Gresh, 501 So.2d 87, 89 (Fla. 1st DCA 1987) (finding that the abuse of process is concerned

with the improper use of process after it issues). "[F]iling a lawsuit with the ulterior motive of harassment does not constitute abuse of process.... the tort of abuse of process is concerned with the improper use of process after it issues." <u>Della-Donna</u> v. Nova University, Inc., 512 So.2d 1051, 1055-56 (Fla. 4th DCA 1987); see also Blue Dolphin, Inc. v. United States, 666 F.Supp. 1538, (S.D.Fla.1987); MiTek Holdings, Inc. v. Arce Eng'g Co., 864 F.Supp. 1568, 1574 (S.D.Fla.1994); Steinhilber v. Lamoree, 825 F.Supp. 1003, 1006 (S.D.Fla.1992); Ferre, 636 F.Supp. at 974-975 ("[I]t is clear that FERRE's contentions that plaintiffs have abused process by commencing this lawsuit and by failing to follow procedures under the Records Act before this lawsuit was commenced, fail to state a claim for relief insofar as neither involves the requisite allegation of post-issuance of process abuse.").

[7] Count Two merely alleges that plaintiffs filed the lawsuit for a variety of improper or unlawful purposes, and does not allege any post-issuance abuse of process. Therefore, Count Two fails to state a claim for abuse of process and will be dismissed. Plaintiffs will be allowed to include this claim in an amended counterclaim only if they can plead the required abuse.

V.

Plaintiffs contend that Count IV of the Counterclaim, which alleges common law unfair competition by trademark misuse, must be dismissed because no such cause of action exists under Florida law.

[8][9] To state a claim for unfair competition under Florida common law, counter-claimant must allege (1) deceptive or fraudulent conduct of a competitor and (2) likelihood of consumer confusion. Monsanto Co. v. Campuzano, 206 F.Supp.2d 1252, 1267 (S.D.Fla.2002), citing M.G.B. Homes, Inc. v. Ameron Homes, Inc., 903 F.2d 1486, 1493-94 (11th Cir.1990). Defendants have made no such allegations. Defendants cite no authority in the Eleventh Circuit or elsewhere allowing trademark misuse as an independent unfair competition cause of action. Indeed, courts uniformly allow trademark misuse only as an affirmative defense to a trademark infringement action. See, e.g., Exxon Corp. v. Oxxford Clothes, Inc., 109 F.3d 1069 (5th Cir.1997) (per curiam) (defendant answered claim of trademark dilution with a number of affirmative defenses, including trademark misuse); Helene Curtis Indus. Inc. v. Church & Dwight Co., Inc., 560 F.2d 1325, 1336 (7th Cir.1977) (holding that defendant failed to make out the affirmative *1213 defense of trademark misuse); *Dunn Computer Corp.*, 133 F.Supp.2d at 830 ("Trademark misuse is not an independent cause of action, but is, instead only an affirmative defense to a trademark infringement claim."). Therefore, Count IV will be dismissed because Defendants failed to state a cognizable unfair competition claim. Defendants will be allowed to include this claim in an amended counterclaim only if they can plead the required elements of a Florida common law unfair competition claim.

VI.

Plaintiffs contend that Count V, alleging a prima facie tort claim, must be dismissed because no such cause of action exists under Florida law. The Court agrees.

[10] Defendants have not cited any Florida case which recognizes a "prima facie tort" cause of action, and at least one federal district court has found no such claim. See Zombori v. Digital Equip. Corp., 878 F.Supp. 207, 209 (N.D.Fla.1995) (finding no prima facie tort for retaliatory discharge). Here, Defendants' prima facie tort claim is simply a thinlyveiled and premature attempt to allege a malicious prosecution claim. The Counterclaim states "Plaintiff's actions in asserting frivolous and baseless ... claims against Defendants is motivated ... not by any good faith belief that Defendants were actually infringing, defaming, breach of contract or engaging in unfair competition." (Doc. # 25, ¶ Defendants further allege that Plaintiffs' actions were "intentional, willful and malicious" and "have forced the Defendants to expend time and money to litigate this matter." (Id., ¶¶ 141- 142). Because Florida does not recognize this cause of action, Count V will be dismissed and may not be included in any amended counterclaim.

Accordingly, it is now

ORDERED:

- 1. The Motion to Dismiss Counts I, II, IV, and V (Doc. # 32) is GRANTED. For the reasons stated above, the entire Counterclaim is dismissed without prejudice.
- 2. Defendants are granted leave to file an amended counterclaim to the extent discussed above within twenty (20) days of the date of this Order.
- 3. The Motion to Strike (Doc. # 32) is DENIED as moot.

353 F.Supp.2d 1208, 18 Fla. L. Weekly Fed. D 435

Motions, Pleadings and Filings (Back to top)

- <u>2004 WL 2036593</u> (Trial Pleading) Answer and Counterclaims with Jury Demand (May 24, 2004)
- <u>2004 WL 2036588</u> (Trial Motion, Memorandum and Affidavit) Plaintiffs' Memorandum of Law in Opposition to Defendants' Motion to Dismiss for Failure to State a Claim (Mar. 22, 2004)
- <u>2004 WL 2036582</u> (Trial Motion, Memorandum and Affidavit) Defendants' Motion to Dismiss for Failure to State a Claim (Feb. 23, 2004)
- <u>2003 WL 23772230</u> (Trial Pleading) Complaint (Dec. 15, 2003)
- <u>2:03CV00677</u> (Docket) (Dec. 15, 2003)

END OF DOCUMENT



133 F.Supp.2d 823 133 F.Supp.2d 823, 57 U.S.P.Q.2d 1626 (Cite as: 133 F.Supp.2d 823)

P

Motions, Pleadings and Filings

United States District Court,

E.D. Virginia,
Alexandria Division.
DUNN COMPUTER CORPORATION, d/b/a
STEELCLOUD, Plaintiff,

v. LOUDCLOUD, INC., Defendant. No. CIV. A. 00-1793-A.

Jan. 10, 2001.

After e-business computer service provider received letter from competitor demanding that it cease and desist use of name "STEELCLOUD," which was similar to names used by competitor, provider filed action against competitor, seeking declaration that its use of "STEELCLOUD" mark did not infringe or dilute trademark rights of competitor, and alleging trademark misuse under common law and the Lanham Act. Competitor moved to dismiss. The District Court, Ellis, J., held that: (1) cease and desist letter did not create a "case or controversy" required to bring action under the Declaratory Judgment Act; (2) trademark misuse claim was not ripe; and (3) provider could not bring claims under the Lanham Act alleging trademark infringement or wrongful registration of trademark.

Motion granted.

West Headnotes

[1] Declaratory Judgment 272 118Ak272 Most Cited Cases

11 Declaratory Judgment 275 118Ak275 Most Cited Cases

The Declaratory Judgment Act is not a jurisdictional grant; its more modest purpose is to allow federal courts to issue declaratory judgments only in cases that (i) meet the constitutional "case or controversy" requirement, and also (ii) present a valid basis for subject matter jurisdiction, that is, diversity or federal question jurisdiction. <u>U.S.C.A. Const. Art. 3, § 2, cl. 1; 28 U.S.C.A. § § 1331, 1332, 2201</u>.

[2] Declaratory Judgment 5.1 118Ak5.1 Most Cited Cases

The exercise of declaratory judgment jurisdiction under the Declaratory Judgment Act rests within the sound discretion of the district court. 28 U.S.C.A. § 2201.

[3] Declaratory Judgment 62 118Ak62 Most Cited Cases

In general, the presence of a "case or controversy" under the Declaratory Judgment Act depends on whether the facts alleged show a controversy of sufficient immediacy and reality to warrant issuance of a declaratory judgment. 28 U.S.C.A. § 2201.

[4] Declaratory Judgment 365 118Ak365 Most Cited Cases

In resolving a factual dispute concerning the existence of a case or controversy required to support an action under the Declaratory Judgment Act, the court need not accept the allegations of the complaint as true, but may look behind the complaint and view the evidence to determine whether a controversy in fact exists. 28 U.S.C.A. § 2201.

[5] Declaratory Judgment 345.1 118Ak345.1 Most Cited Cases

Plaintiff bringing action under the Declaratory Judgment Act bears the burden to establish, by a preponderance of the evidence, that the two-part test for a case or controversy has been met; this test is whether, at the time of filing, there existed (i) an objectively real and reasonable apprehension of litigation and (ii) a course of conduct which brought plaintiff into adversarial conflict with the declaratory defendant. 28 U.S.C.A. § 2201.

[6] Declaratory Judgment 237 118Ak237 Most Cited Cases

One letter to e-business computer service provider from competitor, which demanded that provider cease and desist use of name similar to those used by competitor, did not create a "case or controversy" required to bring action under the Declaratory Judgment Act, where letter did not explicitly threaten litigation and was competitor's sole act directed at provider. 28 U.S.C.A. § 2201.

[7] Trademarks 1562 382Tk1562 Most Cited Cases 133 F.Supp.2d 823

133 F.Supp.2d 823, 57 U.S.P.Q.2d 1626 (Cite as: 133 F.Supp.2d 823)

(Formerly 382k543)

Trademark misuse claim brought by e-business computer service provider against competitor, based on letter from competitor demanding that provider cease and desist use of name which was similar to names used by competitor, was not ripe for adjudication; competitor had not asserted a trademark infringement claim against provider.

Trademark misuse is not an independent cause of action, but is, instead, only an affirmative defense to a trademark infringement claim.

[9] Trademarks 1317(1) 382Tk1317(1) Most Cited Cases (Formerly 382k232.1)

Action under the Lanham Act to determine the right to registration of mark, to cancel registration or otherwise rectify the register requires a "registered mark," not one that may come into existence in the future. Lanham Trade-Mark Act, § 37, 15 U.S.C.A. § 1119.

[10] Trademarks 1382 382Tk1382 Most Cited Cases (Formerly 382k264)

Section of Lanham Act imposing liability on any person who shall "procure registration" in Patent and Trademark Office of mark by false means requires that such person have obtained, rather than simply applied for, registration of mark. Lanham Trade-Mark Act, § 38, 15 U.S.C.A. § 1120.

*824 <u>Christopher M. Collins</u>, Christopher M. Collins, P.C., McLean, VA, for Plaintiff.

<u>Kara Marie Sacilotto</u>, Perkins Coie, Washington, DC, for Defendant.

MEMORANDUM OPINION

ELLIS, District Judge.

This trademark action, which includes two claims for declaratory judgment and one claim for trademark misuse, was brought by plaintiff solely on the basis of *825 having received a single cease-and-desist letter that did not include an explicit threat to sue. At issue on defendant's threshold dismissal motion are the following questions:

(i) whether a declaratory judgment action based on a single cease-and-desist letter presents a justiciable case and controversy as required by Article III of the Constitution;

- (ii) whether the discretionary exercise of federal declaratory judgment jurisdiction is warranted for such an action, even assuming the existence of a case or controversy;
- (iii) whether a common law trademark misuse claim can be asserted as an affirmative cause of action:
- (iv) whether a cause of action under Section 37 of the Lanham Act, <u>15 U.S.C. § 1119</u>, exists where, as here, there is a trademark application pending, but no existing registered trademark; and
- (v) whether a cause of action under Section 38 of the Lanham Act, <u>15 U.S.C.</u> § <u>1120</u>, exists where, as here, there is a trademark application pending, but no existing registered trademark.

For the reasons that follow, the answer to each of these questions is no.

Ι

This declaratory judgment action involves two companies engaged in providing network and computer services to e-businesses. Plaintiff, Dunn Computer Corporation, was founded in 1987. It provides companies with network applications and appliances, such as desktop and notebook computers and consulting services. Defendant, Loudcloud, Inc., was launched in September 1999 to provide ebusinesses with high-performance website infrastructuring services. In November 1999, defendant filed an intent-to-use application with the Patent and Trademark Office ("PTO") to register the trademark LOUDCLOUD for goods and services it provides. Since then, defendant has filed more than 300 additional trademark applications to register as trademarks other terms that incorporate the word "cloud," such as "security cloud," "database cloud," "content cloud," and many others. [FN1]

FN1. Other examples include: "audit cloud," "billing cloud," "e-commerce cloud," "myloudcloud," "affiliate cloud," "fulfillment cloud," "stress cloud," "profile cloud," "user cloud," "staging cloud," "intranet cloud," "payment cloud," "customer support cloud," "news cloud," "wireless cloud," and "smart cloud."

In March 2000, plaintiff decided to change its name from Dunn to Steelcloud, Inc. apparently to reflect the nature of its current business. [FN2] Consistent with this change, plaintiff filed with the PTO an "intent-to-use" application to register the mark STEELCLOUD. On October 2, 2000, plaintiff

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commenced doing business under the trade name STEELCLOUD.

<u>FN2</u> The record does not disclose what specific relation "Steelcloud" has to the nature of plaintiff's business.

On discovering that plaintiff was using the trademark STEELCLOUD for services similar to defendant's, defendant's attorney sent a letter to plaintiff expressing concern that plaintiff's use of STEELCLOUD would cause customer confusion. This letter stated, in pertinent part as follows:

It has come to our attention that your company recently began using the trademark STEELCLOUD for services similar to those of Loudcloud, which you market to the same class of customers as Loudcloud.... Your company competes directly with Loudcloud in providing packaged back-end services for businesses engaged in e-commerce, including the provision of hardware, software, systems analysis and expert consultation services

The STEELCLOUD mark is confusingly similar to LOUDCLOUD. In addition to the identical "CLOUD" portion, "LOUD" and "STEEL" both connote *826 power and strength.... Consequently, your company's adoption of STEELCLOUD is likely to cause confusion in the marketplace and therefore constitutes a violation of our client's rights in its trademark LOUDCLOUD.

In short, your adoption of STEELCLOUD is likely to confuse the public and dilute the strength of the LOUDCLOUD mark; it is thus a violation of Loudcloud's rights under federal and state trademark and unfair competition laws. We therefore demand that your company immediately:

- 1. Cease and desist all use of the trade name, company name and trademark STEELCLOUD ...;
- 2. Cease and desist all use of the Internet domain name "steelcloud.com"..., and assign any such domain names to Loudcloud;
- 3. Publish ... a corrective notice, and issue a press release, stating that neither your company, nor its products or services, are in any way affiliated with, sponsored or endorsed by Loudcloud, Inc., and that you have ceased all use of the STEELCLOUD mark.

Our client considers protection of its intellectual property to be a critical part of its business. It has already successfully persuaded the owners of the marks THUNDERCLOUD and LAUNCHCLOUD to change their names. We hope you will amicably agree to do the same.

We look forward to your response on or before

October 27, 2000, indicating your compliance with the demands of this letter.

Within eight days of receiving this letter and without responding to or contacting defendant, plaintiff filed a three-count complaint, in which Counts I and Count II seek a declaratory judgment that plaintiff's use of the STEELCLOUD mark does not infringe or dilute any trademark rights of the defendant. Count III of the complaint is a claim of trademark misuse under (i) common law and (ii) Sections 37 and 38 of the Lanham Act, 15 U.S.C. § § 1119, 1120. Defendant responded by filing the instant threshold dismissal motion.

П

[1][2] The Declaratory Judgment Act, 28 U.S.C. § 2201, is not a jurisdictional grant. See Skelly Oil Co. v. Phillips Petroleum Co., 339 U.S. 667, 671-72, 70 S.Ct. 876, 94 L.Ed. 1194 (1950). Its more modest purpose is to allow federal courts to issue declaratory judgments only in cases that (i) meet the constitutional "case or controversy" requirement and also (ii) present a valid basis for subject matter jurisdiction, i.e., diversity or federal question jurisdiction. See Jeffrey Banks, Ltd. v. Jos. A. Bank Clothiers, Inc., 619 F.Supp. 998, 1001 (D.Md.1985). And, importantly, even where a request for a declaratory judgment meets both of requirements, the "exercise of [declaratory judgment] jurisdiction rests within the sound discretion of the district court." [FN3]

FN3. Bausch & Lomb Inc. v. CIBA Corp., 39 F.Supp.2d 271, 275 (W.D.N.Y.1999); see also Kerotest Mfg. Co. v. C-O-Two Fire Equip. Co., 342 U.S. 180, 183-84, 72 S.Ct. 219, 96 L.Ed. 200 (1952) (noting that "[n]ecessarily, an ample degree of discretion, appropriate for disciplined and experienced judges, must be left to the lower courts"); White v. National Union Fire Ins. Co., 913 F.2d 165, 168 (4th Cir.1990) (citing A.L. Mechling Barge Lines v. United States, 368 U.S. 324, 82 S.Ct. 337, 7 L.Ed.2d 317 (1961)).

[3][4][5] In general, the presence of a case or controversy depends on "whether the facts alleged ... show ... a controversy ... of sufficient immediacy and reality to warrant issuance of a declaratory judgment." *Maryland Cas. Co. v. Pacific Coal & Oil Co.*, 312 U.S. 270, 273, 61 S.Ct. 510, 85 L.Ed. 826 (1941). In resolving a factual dispute concerning the existence of a case or controversy, the "court need not accept the allegations of the complaint as true ...

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[but] may look behind the complaint and view the evidence to determine whether a *827 controversy in fact exists." <u>IFN4</u> In this regard, the declaratory judgment plaintiff bears the burden to establish, by a preponderance of the evidence, that the two-part test for a case or controversy has been met. *See Circuit City Stores, Inc. v. Speedy Car-X, Inc.*, 1995 WL 568818, at *3 (E.D.Va.1995). This test is whether, at the time of filing, there existed (i) an objectively "real and reasonable apprehension of litigation" and (ii) a "course of conduct which brought [plaintiff] into adversarial conflict with the declaratory defendant." [FN5]

FN4. CAE Screenplates, Inc. v. Beloit Corp., 957 F.Supp. 784, 788 & n. 8 (E.D.Va.1997) (quoting International Harvester Co. v. Deere & Co., 623 F.2d 1207, 1210 (7th Cir.1980)).

FN5. Maryland Casualty, 312 U.S. at 273, 61 S.Ct. 510; see also Windsurfing Int'l Inc. v. AMF Inc., 828 F.2d 755, 757 (Fed.Cir.1987); CAE Screenplates, 957 F.Supp. at 788; Virgin Enters. Ltd. v. Virgin Cuts Inc., 53 U.S.P.Q.2d 1026, 1030, 1999 WL 1273342 (E.D.Va.1999).

Analysis, therefore, properly begins with whether plaintiff's apprehension of being sued by defendant was objectively real and reasonable. [FN6] Put another way, this prong is established "if defendant's actions create in plaintiff a 'reasonable apprehension' of being sued for infringement." Jeffrey Banks, 619 F.Supp. at 1002 (citations omitted). And, the proper focus in this regard is on defendant's conduct and statements, because "apprehension alone, if not inspired by defendant's actions, does not give rise to an actual controversy." <a>[FN7] Furthermore, while direct evidence of threatening contacts initiated by the defendant or a background of litigation between the parties is strong evidence of a reasonable apprehension of litigation, an objectively reasonable apprehension of imminent litigation must be determined from the totality of the circumstances. [FN8]

FN6. See CAE Screenplates, 957 F.Supp. at 788 (stating that determination of the reasonableness of the apprehension is "an objective one, focusing on whether the [defendant's] conduct rose to a level sufficient to indicate an intent to enforce its patent") (citations omitted).

FN7. Trippe Mfg. Co. v. American Power Conversion Corp., 46 F.3d 624, 627 (7th Cir.1995) (quoting International Harvester, 623 F.2d at 1210; see Circuit City Stores, 1995 WL 568818, at *4).

FN8. See, e.g., Trippe Mfg., 46 F.3d at 627 (holding that no actual controversy existed because declaratory judgment defendant had not threatened trademark infringement suit and totality of circumstances did not reasonably suggest that suit was imminent); Circuit City Stores, 1995 WL 568818, at *4 (holding that a sufficient apprehension may also arise indirectly through, for example, the "commercial realities [where the plaintiff] must 'run a risk of real liability if it goes ahead to exercise what it believes are its legal rights in the commercial market' ") (quoting 4 J. Thomas McCarthy, McCarthy on Trademarks and Unfair Competition § 32.18 (3d ed.1994)).

- [6] These principles, applied here, point persuasively to the absence of a case or controversy, as the record falls short of establishing an objectively reasonable apprehension of imminent litigation. Simply put, one cease and desist letter does not a case or controversy make where, as here, that letter invites negotiation, but does not explicitly threaten litigation, and was defendant's sole act directed at plaintiff. These meager facts fall short of the constitutional case or controversy threshold. More is required. Specifically, courts finding a case or controversy in analogous circumstances have relied on various additional factors, including:
 - (i) a cease-and-desist letter threatening litigation and setting forth the elements of a prima facie claim of trademark infringement against the declaratory judgment plaintiff; [FN9]

<u>FN9.</u> See <u>Chesebrough-Pond's</u>, <u>Inc.</u> v. <u>Faberge</u>, <u>Inc.</u>, 666 F.2d 393, 396-97 (9th Cir. 1982).

(ii) a cease-and-desist letter coupled with formal opposition of the declaratory judgment plaintiff's trademark application to the PTO; [FN10]

FN10. See Manufacturers Hanover Corp. v. Maine Sav. Bank. 225 U.S.P.Q. 525, 527 (S.D.N.Y.1985). The grounds for a trademark infringement action include: (i) ownership of a registered mark and (ii) attempts by any person to use a product that

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is "likely to cause confusion, or to cause mistake, or to deceive." 15 U.S.C. § 1114(1).

*828 (iii) a response to the filing of a declaratory judgment action that includes a counterclaim for trademark infringement damages; <u>[FN11]</u>

FN11. See Chesebrough-Pond's, 666 F.2d at 396-97; Progressive Apparel Group, Inc. v. Anheuser-Busch, Inc., 1996 WL 50227, at *3 (S.D.N.Y. Feb.8, 1996).

(iv) a cease-and-desist letter followed by a failed attempt to settle the dispute prior to initiating litigation; [FN12]

FN12. See Circuit City Stores, 1995 WL 568818, at *2; Jeffrey Banks, Ltd., 619 F.Supp. at 1002.

(v) a cease-and-desist letter coupled with ongoing litigation between the parties. [FN13]

FN13. See <u>Intel Corp. v. CFW Wireless</u>, <u>Inc., 2000 WL 1455830</u>, at * 1 (W.D.Va. Sept. 15, 2000).

None of these additional factors is present here. First, while defendant's letter references the likelihood of confusion standard--the basis of a trademark infringement suit--defendant has not and cannot state a prima facie case of federal trademark infringement because defendant has no registered trademarks on which to rely. [FN14] Second, defendant has not filed a counterclaim in the instant action. Finally, the cease-and-desist letter indicated defendant's desire to settle and invited plaintiff to respond to the letter. [FN15] These facts are insufficient to create a reasonable apprehension of an imminent suit for trademark infringement. [FN16]

FN14. See 15 U.S.C. § 1114 ("Any person who shall, without the consent of the registrant ... use in commerce any ... imitation of a registered mark ... which ... is likely to cause confusion ... shall be liable in a civil action."); Chesebrough-Pond's. Inc., 666 F.2d at 396-97 (applying statutory standard for trademark infringement action under 15 U.S.C. § 1114).

<u>FN15.</u> Defendant's invitation to negotiate in this case stands in contrast to the invitation extended by the claimant in *Manufacturers*

Hanover Corporation. In the letter sent by the claimant in that case, the offer to negotiate was accompanied by the statement that the claimant's "aggressive [trademark] policy ... occasionally required the initiation of formal legal proceedings." See 1985 WL 181 at *2. No such similar threat to institute an infringement action was included in this defendant's letter.

FN16. Chesebrough-Pond's offers instructive contrary example. There, the Ninth Circuit found a reasonable apprehension imminent of litigation because, in addition to the cease-and-desist letter, the defendant there declared (i) its intent to oppose the plaintiff's trademark application to the PTO, (ii) relied on its registered trademark to state a prima facie case of infringement, (iii) claimed a strong likelihood of confusion, and (iv) responded to the filing of the declaratory judgment action with a counterclaim for damages. See Chesebrough-Pond's, Inc., 666 F.2d at 396-97. Except for the likelihood of confusion claim in both cease-and-desist letters, none of the additional elements found in Chesebrough-Pond's is present here.

Plaintiff's argument to the contrary mistakenly relies on defendant's defense of its trademark against others and on media reports describing the financial worth of defendant's founder. [FN17] Neither argument is persuasive on the question whether defendant's actions created a reasonable apprehension of litigation. The defense of its trademark consists of similar cease-and-desist letters sent to four other putative infringers of defendant's trademark. Settlements prior to litigation resulted in three of the four cases. In the fourth instance, negotiations took place but resulted in an impasse, which was then followed by litigation initiated by defendant. None this activity--the negotiations, the three settlements, or the one instance of litigation-involved actions directed at plaintiff. And, typically, conduct by the defendant not directed at the plaintiff will not form the basis of a case or controversy. [FN18] This is especially so in the case at *829 bar, where, at best, the facts reflect that defendant resorts to litigation to protect its trademarks only after it determines that the dispute cannot be resolved without litigation.

<u>FN17.</u> Plaintiff contends that defendant's founder is worth a "billion dollars."

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FN18. See CAE Screenplates Inc. v. Beloit Corp., 957 F.Supp. 784, 792 (E.D.Va.1997) (holding that prior litigation against parties unconnected to the plaintiff cannot "precipitate an actual controversy"); Circuit City Stores, 1995 WL 568818, at *4 (stating that the reasonableness of apprehension is determined by focusing on defendant's actions directed at plaintiff). A different result might obtain, however, were the record to reflect a pattern of practice that creates a reasonable apprehension of imminent litigation. For example, had defendant sent this cease-and-desist letter to fifty putative infringers and filed suit against most of these companies, then the conduct not directed at plaintiff may, in the totality of the circumstances, give rise to a reasonable apprehension. Such is not the case here.

Nor is the defendant's founder's supposed wealth any more probative of a reasonable apprehension of imminent litigation. No logical connection exists between the fact that defendant's founder is wealthy and the likelihood that defendant would prefer to initiate litigation before attempting settlement. People with great means, like those with lesser means, recognize the benefits of resolving cases before initiating litigation, and they often act accordingly.

In sum, plaintiff's declaratory judgment action is premature. A case or controversy cannot be manufactured out of a single cease-and-desist letter that invites negotiation and does not threaten litigation. Such a letter, by itself, does not allow plaintiff to meet its burden of showing an objectively reasonable apprehension of imminent litigation. [FN19]

<u>FN19.</u> Worth noting is that while this first prong of the case or controversy requirement is not met, the second prong--a course of conduct which brought plaintiff into adversarial conflict with defendant--is met in this case. *See CAE Screenplates*, 957 <u>F.Supp. at 789</u>. This second prong is met, as plaintiff filed an intent-to-use application for STEELCLOUD and has commenced doing business under that name.

But even assuming, *arguendo*, the existence of a case or controversy, there are sound and sufficient reasons to decline jurisdiction in this matter. Nor is

there any doubt that federal courts may decline declaratory judgment jurisdiction in appropriate circumstances. The Declaratory Judgment Act is an exception to the general rule that a federal court must exercise the jurisdiction which is conferred upon it. See Public Affairs Assoc., Inc. v. Rickover, 369 U.S. 111, 112, 82 S.Ct. 580, 7 L.Ed.2d 604 (1962) (holding that declaratory judgment jurisdiction is discretionary). The Act gives district courts a " 'unique breadth of ... discretion to decline to enter a declaratory judgment' even if jurisdiction exists." [FN20] In general, declaratory judgment jurisdiction should be exercised only when the declaratory relief sought: (i) is not premature, (ii) "will serve a useful purpose in clarifying and settling the legal relations in issue," (iii) "will terminate and afford relief from the uncertainty, insecurity, and controversy giving rise to the proceeding," and (iv) is not being used merely as a procedural device for a declaratory judgment plaintiff to select the choice of forum. Aetna Cas. & Sur. Co. v. Ind-Com Elec. Co., 139 F.3d 419, 422 (4th Cir.1998) (citations omitted). These criteria are not met here. First, this action is premature; it "raise[s] the sword of litigation ... when other avenues for resolution of the dispute" are available. See Bausch & Lomb Inc. v. Alcide Corp., 684 F.Supp. 1155, 1160 (W.D.N.Y.1987). The Act's purposes are better served by encouraging parties to attempt resolution of disputes prior to initiating litigation, and, therefore, in the circumstances at bar, the exercise of jurisdiction runs counter to the policy of (i) encouraging settlement of disputes prior to litigation and (ii) preventing parties from using declaratory judgment actions as a *830 tool to strengthen a negotiation position [FN21] or to preempt claimant's choice of forum. [FN22] Simply put, district courts should not exercise their discretionary declaratory judgment jurisdiction in ways that encourage races to the courthouse and discourage settlement. See BASF Corp. v. Symington, 50 F.3d 555, 557 (8th Cir.1995). In sum, this premature declaratory judgment action is an appropriate case for declining jurisdiction. Rather than hastily filing suit, plaintiff, like the other recipients of defendant's letters, should have responded to the letter's request for negotiation by contacting defendant and attempting to resolve the matter.

FN20. Bausch & Lomb Inc. v. CIBA Corp., 39 F.Supp.2d 271, 274 (W.D.N.Y.1999) (quoting Wilton v. Seven Falls Co., 515 U.S. 277, 287, 115 S.Ct. 2137, 132 L.Ed.2d 214 (1995)); see also Aetna Cas. & Sur. Co. v. Ind-Com Elec. Co., 139 F.3d 419, 422 (4th

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Cir.1998); Centennial Life Ins. Co. v. Poston, 88 F.3d 255, 256 (4th Cir.1996).

FN21. See EMC Corp. v. Norand Corp., 89 F.3d 807. 815 (Fed.Cir.1996) (finding that district court properly viewed declaratory judgment complaint as a tactical measure to improve plaintiff's negotiation position, which does not "further[] the objectives of the Declaratory Judgment Act"); Bausch & Lomb Inc. v. CIBA Corp., 39 F.Supp.2d at 275.

FN22. See Perez v. Ledesma, 401 U.S. 82, 119 n. 12, 91 S.Ct. 674, 27 L.Ed.2d 701 (1971) (Brennan, J. dissenting) ("The federal declaratory judgment is not a prize to the winner of a race to the courthouse.").

Ш

Count III of the complaint asserts a claim for trademark misuse premised on three distinct grounds: (i) a common law theory of "trademark misuse," (ii) Section 37 of the Lanham Act, 15 U.S.C. § 1119, and (iii) Section 38 of the Lanham Act, 15 U.S.C. § 1120. Closely examined, each ground fails as a matter of law.

[7][8] To begin with, plaintiff's common law theory of trademark misuse claim fails because it is not ripe for adjudication. Trademark misuse is not an independent cause of action, but is, instead, only an affirmative defense to a trademark infringement claim. [FN23] Because no trademark infringement claim has yet been asserted against plaintiff, there is no occasion here for an assertion of the misuse defense. Plaintiff concedes that trademark misuse is only an affirmative defense, not an independent cause of action, but argues that the claim is proper here because plaintiff anticipates that defendant will make a counterclaim of trademark infringement. [FN24] While it is certainly true that federal courts "regularly consider the merits of affirmative defenses raised by declaratory plaintiffs," [FN25] they only do so if the declaratory judgment action itself is appropriate. See Public Serv. Comm'n v. Wycoff Co., 344 U.S. 237, 248, 73 S.Ct. 236, 97 L.Ed. 291 (1952). That is not true here, for, as noted, plaintiff lacks an objectively reasonable apprehension of an imminent suit by defendant. Accordingly, the trademark misuse claim, like plaintiff's declaratory judgment act claim, is not yet ripe for adjudication. To allow such a claim would contravene the limited procedural purpose of the Declaratory Judgment Act and encourage races *831 to the courthouse. See, e.g., Skelly Oil Co., 339 U.S. at 673-74, 70 S.Ct. 876 (holding that a declaratory judgment action cannot be brought "merely because an anticipated defense derived from federal law"). Accordingly, to the extent that Count III is based on a common law theory of trademark misuse, it must be dismissed.

FN23. Juno Online Services, L.P. v. Juno Lighting, Inc., 979 F.Supp. 684, 685-87 (N.D.III.1997) (noting that trademark misuse has never been permitted as an affirmative claim). Plaintiffs cite no authority in the Fourth Circuit or elsewhere allowing trademark misuse as an independent cause of action. Instead, authority is uniform in allowing trademark misuse only as an affirmative defense to a trademark infringement action. See, e.g., Exxon Corp. v. Oxxford Clothes, Inc., 109 F.3d 1069 (5th Cir. 1997) (per curiam) (defendant answered claim of trademark dilution with a number of affirmative defenses, including trademark Helene Curtis Indus. Inc. v. misuse): Church & Dwight Co., Inc., 560 F.2d 1325, 1336 (7th Cir.1977) (holding that defendant failed to make out the affirmative defense of trademark misuse); People for the Ethical Treatment of Animals v. Doughney, 113 F.Supp.2d 915, 921 (E.D.Va.2000) (same).

FN24. Plaintiff's cited cases on this point are inapposite because each involves the assertion of defenses to claims made by the opposing party. See Estee Lauder, Inc. v. The Fragrance Counter, Inc., 189 F.R.D. 269 (S.D.N.Y.1999) (allowing trademark misuse to be asserted as defense to claim of trademark infringement); Rolls-Royce Motors, Ltd. v. A & A Fiberglass, Inc., 428 F.Supp. 689 (N.D.Ga.1976) (same).

<u>FN25.</u> <u>BASF Corp.</u>, 50 F.3d at 558 (citing <u>Kelly v. Robinson</u>, 479 U.S. 36, 40, 107 <u>S.Ct. 353</u>, 93 L.Ed.2d 216 (1986)).

[9] Plaintiff's claim under Section 37 of the Lanham Act, 15 U.S.C. § 1119, also fails because defendant does not have a registered mark. Section 37 of the Lanham Act states, in pertinent part, that:

In any action *involving a registered mark* the court may determine the right to registration, order the cancellation of registrations, in whole or in part, restore canceled registrations, and otherwise rectify the register"

15 U.S.C. § 1119 (emphasis added). Because this

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case does not involve any registered marks, no federal jurisdiction exists to order or cancel a registration under this statutory provision. Plaintiff essentially concedes this point, but argues that one of defendant's many applications for registration may be approved during the pendency of this lawsuit, after which jurisdiction would be proper under Section 37. The short answer to this argument is that a Section 37 claim must involve an existing "registered mark," not one that may come into existence in the future. Thus, the trademark misuse claim is not ripe for adjudication, but must await, at least, the registration of one of defendant's proposed marks by the PTO. Accordingly, to the extent that Count III rests on 15 U.S.C. § 1119, the motion to dismiss must be granted.

[10] The final asserted basis for relief under Count III is Section 38 of the Lanham Act, 15 U.S.C. § 1120. Plaintiff's claim fails under this statute because the defendant has not "procured" registration of a mark as required by the statute. Section 38 of the Lanham Act provides:

Any person who shall *procure registration* in the Patent and Trademark Office of a mark by a false or fraudulent declaration or representation, oral or in writing, or by any false means, shall be liable in a civil action by any person injured thereby for any damages sustained in consequence thereof.

15 U.S.C. § 1120 (emphasis added). The plain meaning of the phrase "any person who shall procure registration" is any person who has *obtained*, rather than simply *applied for*, registration of a mark. As the Seventh Circuit put it, "Section 38 makes sense when 'procure' is taken to mean 'obtain' and little sense when taken to mean 'apply for.' " *See County Mut. Ins. Co. v. American Farm Bureau Fed'n*, 876 F.2d 599, 601 (7th Cir.1989). And this is sensibly so, because under the Lanham Act, only the registration of a mark causes injury to others. [FN26]

<u>FN26.</u> Filing an intent-to-use application does not confer any rights to exclude another from use of a mark. Only when a mark is registered-- that is, when the registrant makes use of the mark--does the law confer the right to exclude. See 2 J. Thomas McCarthy, McCarthy on Trademarks and Unfair Competition, § 16.2 (4th ed.1996).

Plaintiff seeks to avoid this conclusion by reliance on the Trademark Law Revision Act ("TLRA"), 15 U.S.C. § § 1150-57, a 1988 amendment to the Lanham Act, which permits an application for

registration based on an "intent-to-use" the trademark, as opposed to the former standard that permitted applications only upon junior use of the trademark. [FN27] The TLRA, *832 plaintiff argues, implicitly redefined 'procure' in Section 38 to include application for a registration. Plaintiff's argument fails because the TLRA cannot be said to have changed the plain meaning of "procure." Indeed, Congress changed nothing in <u>Section 38</u>. Congress sought to expand the scope of liability for fraud in the procurement of registered trademarks, as plaintiff urges, it could have amended Section 38 to read "procure or attempt to procure." Congress chose not to amend Section 38 in this fashion, and because Congress was presumably aware of contrary judicial construction of Section 38, [FN28] there is no basis for assuming that Congress intended the TLRA to change the scope or meaning of the provision. See North Star Steel Co. v. Thomas, 515 U.S. 29, 34, 115 S.Ct. 1927, 132 L.Ed.2d 27 (1995).

> FN27. Under the TLRA, "the filing of the application to register ... shall constitute constructive use of the mark, conferring a right of priority ... on or in connection with the goods or services specified in the registration against any other person except for a person whose mark has not been abandoned and who, prior to such filing--(1) has used the mark; [or] (2) has filed an application to register the mark which is pending or has resulted in registration of the mark." 15 U.S.C. § 1057(c) (emphasis This change was necessary, added). according to the Senate Report, because "[the previous use] requirement unfairly discriminates [by putting] significant legal risks on the introduction of new products and services ... [and provides no] assurance that after selecting and adopting a mark, and possibly making a sizable investment ..., it will not learn that its use of the mark infringes the rights another acquired through earlier use." S.Rep. No. 100-515 (1988), reprinted in 1988 U.S.C.C.A.N. 5577.

> FN28. See, e.g., Country Mut. Ins. Co., 876 F.2d at 601.

Plaintiff's Section 38 argument also fails as plaintiff cannot show it is a "person injured thereby." See 15 U.S.C. § 1120. This follows from the fact the TLRA confers no right on defendant to exclude others from using a mark merely because an intent-to-use

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application has been filed. Such a filing establishes only a constructive use of the mark which, upon registration, has the same legal effect as actual use of a trademark at common law. See 2 J. Thomas McCarthy, McCarthy on Trademarks and Unfair 16.17 (4th ed.1996). Competition, § constructive use establishes a right of priority for the intent-to-use applicant only over others who have not made use of the trademark prior to the filing of the application. Accordingly, a party that uses a trademark would have priority over a non-user who files an intent-to-use application if the party's use predated the non-user's filing of the application. But importantly, no statutory trademark rights to preclude others from using a mark vest in the applicant until the PTO registers the trademark. See 2 J. Thomas McCarthy, McCarthy on Trademarks and Unfair Competition, § 16.2 (4th ed.1996). [FN29] Thus, the only effect on plaintiff of defendant's filing of an intent-to-use application is that plaintiff, who made use of the trademark after the application was filed, must await the PTO's registration decision on defendant's trademark application before obtaining a ruling on its own application for registration. [FN30] If the PTO rejects defendant's applications, it can then consider the registration of plaintiff's trademark, as plaintiff is the next to make prior use of the mark. In these circumstances, that plaintiff must await PTO action on defendant's applications before obtaining PTO action on its own application does not mean plaintiff is a "person injured thereby" within the meaning of Section 38. [FN31]

<u>FN29.</u> Federal rights are contingent upon successful registration of the mark, *i.e.*, that the registrant make use of the mark.

<u>FN30.</u> Plaintiff's concern that defendant's intent-to-use application jeopardizes its investment in the mark, STEELCLOUD, stems not directly from defendant's filing but rather more directly from plaintiff's failure either to file an earlier intent-to-use application or to research more thoroughly whether anyone had made actual or constructive use of the mark.

FN31. Plaintiff, however, is not without an existing remedy, as it is entitled to oppose defendant's trademark applications at the PTO. See 15 U.S.C. § 1063 (allowing anyone who may be damaged by a registration to challenge the application even before it is finally and officially given federal sanction). And, where, as here, it

seems unlikely that defendant has a bona fide good faith intention to make use of all of the more than 350 applications it submitted, plaintiff may have a meritorious basis for its opposition. In fact, the PTO has already expressed some concern regarding the lack of specificity in defendant's filings for registration. (Complaint ¶ 61.)

*833 Accordingly, plaintiff has not asserted a valid claim under <u>Section 38</u> of the Lanham Act because defendant has neither procured registration of a mark nor suffered a qualifying injury. Thus, to the extent that Count III is based on <u>15 U.S.C.</u> § <u>1120</u>, the motion to dismiss must be granted.

IV

For the foregoing reasons, plaintiff's premature claims for declaratory judgment, Counts I and II, must be dismissed for failure to meet the case or controversy requirement and, alternatively, for failure to meet the criteria for the discretionary exercise of declaratory judgment jurisdiction. Count III also must be dismissed as premature and because there is no existing registered trademark on which to base claims under Sections 37 and 38 of the Lanham Act.

An appropriate Order will issue.

133 F.Supp.2d 823, 57 U.S.P.Q.2d 1626

Motions, Pleadings and Filings (Back to top)

• 1:00CV01793 (Docket) (Oct. 25, 2000)

END OF DOCUMENT

Exhibit B

UNITED STATES DISTRICT COURT SOUTHERN DISTRICT OF FLORIDA WEST PALM BEACH DIVISION

IMPLANT INNOVATIONS, INC.,

Plaintiff,

v.

Case No. 06-80913-Civ-Hurley/Hopkins

JURY TRIAL DEMANDED

DEBBIE, LLC, a Massachusetts Limited Liability Company; BICON, LLC, a Massachusetts Limited Liability Company; BICON, INC., a Massachusetts Domestic For Profit Corporation; and BICON INTERNATIONAL, INC., a Delaware Corporation,

Defendants.	
	/

AMENDED COMPLAINT

Plaintiff Implant Innovations, Inc. ("3 \ddot{r} ") sues Debbie, LLC, Bicon, LLC, Bicon, Inc., and Bicon International, Inc. (collectively "Defendants") and states as follows:

The Parties

- 1. 3i is a corporation organized and existing under the laws of the state of Florida, with its principal place of business at 4555 Riverside Drive, Palm Beach Gardens, Florida 33410.
- 2. Upon information and belief, Bicon, LLC is a limited liability company organized and existing under the laws of the State of Massachusetts, with its principal place of business at 501 Arborway, Boston, Massachusetts 02130.
- 3. Upon information and belief, Bicon, Inc. is a domestic for profit corporation existing under the laws of the State of Massachusetts, with its principal place of business at 501 Arborway, Boston, Massachusetts 02130.
- 4. Upon information and belief, Bicon International, Inc. is a corporation organized and existing under the laws of the State of Delaware, with its principal place of business at 501

Arborway, Boston, Massachusetts 02130. Bicon, LLC, Bicon, Inc., and Bicon International, Inc. will be referred to herein as "Bicon."

5. Upon information and belief, Debbie, LLC is a limited liability company organized and existing under the laws of the State of Massachusetts, with its principal place of business at 501 Arborway, Boston, Massachusetts 02130. Upon further information and belief, Debbie, LLC owns intellectual property rights that are licensed to Bicon.

Nature of Action

6. This is an action for false designation of origin and unfair competition and infringement of federally registered marks under the Lanham Act (15 U.S.C. §§ 1051, 1114 et seq.), and related causes of action under the laws of the State of Florida arising from the Defendants' misappropriation and use of the mark NANOTITE ("the Infringing Mark") in violation of 3i's rights in its famous "TITE" family of federally registered and/or common law trademarks including "OSSEOTITE," "OSSEOTITE XP," "OSSEOTITE NT," "TG OSSEOTITE," "GOLD-TITE," "PREP-TITE," and "NANOTITE."

Jurisdiction

7. This Court has jurisdiction over the subject matter and the parties under 15 U.S.C. §§ 1121, 1125(a) (actions arising under the Lanham Act), 28 U.S.C. § 1338(a) (act of Congress relating to trademarks), and 28 U.S.C. § 1332(a) (diversity of citizenship). The matter in controversy exceeds \$75,000. This Court also has pendent jurisdiction pursuant to 28 U.S.C. § 1338(b).

Venue

8. Venue is proper in this District pursuant to 28 U.S.C. § 1391(b) and/or (c).

3i's Business And Use Of Its Famous OSSEOTITE Mark

9. Since 1987, 3i has been in the business of developing, manufacturing, and selling dental implants. 3i offers one of implant dentistry's most comprehensive lines of implants and

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- 10. 3i has long been recognized by members of the dental implant industry and by dental practitioners and patients throughout the world as an innovator and leader in the dental implant industry. 3i has developed a significant amount of goodwill in connection with the dental products and services it offers.
- 11. 3i first began to use the "OSSEOTITE" trademark ("the OSSEOTITE Mark") in the early 1990s and has continued and expanded upon that use up to the present time. 3i owns a federal trademark registration for the OSSEOTITE Mark (U.S. Registration No. 1,779,584) for dental implants dating back to 1993; thus the OSSEOTITE Mark is incontestable. A true and correct copy of this registration is attached hereto as Exhibit A.
- 12. **3i** uses the OSSEOTITE Mark worldwide in connection with dental implants and owns trademark registrations for OSSEOTITE for dental implants in numerous countries throughout the world.
- 13. The dental implants used under the OSSEOTITE Mark revolutionized the dental implant industry. The groundbreaking surface technology of the OSSEOTITE products has proven to have an unprecedented capability of promoting implant-to-bone integration and reducing healing times.
- 14. 3i has achieved worldwide acclaim for the dental implants and dental implant related products associated with the OSSEOTITE Mark. Since long prior to the acts complained of herein, dental professionals and patients throughout the world have recognized OSSEOTITE as a mark exclusively identifying 3i and as a mark designating dental implant products of the highest quality originating exclusively from 3i.
- 15. Throughout the years since OSSEOTITE's inception, hundreds of thousands of product packaging materials, labels, and the like bearing the OSSEOTITE Mark have been in circulation in association with dental implants of the highest quality. *3i* also extensively advertises and promotes the products associated with the OSSEOTITE Mark. As a result, the

OSSEOTITE Mark has come to be recognized by members of the dental implant industry throughout the United States and the world as exclusively identifying 3i's goods of the highest quality and originating exclusively from 3i. Thus, at least partly through its OSSEOTITE Mark, 3i has developed a significant amount of goodwill and a reputation for developing, manufacturing, and selling superior quality dental products.

3i's Expansion Of The "TITE" Family of Marks

- actively adopting other marks having a "TITE" suffix ("the 'TITE' Family of Marks") in connection with dental implants and related dental products. The additional members of the "TITE" Family of Marks benefit from the extensive goodwill built up by 3i in the OSSEOTITE Mark and, indeed, have built up extensive goodwill in their own right. 3i's additional members of the "TITE" Family of Marks include OSSEOTITE XP (U.S. Registration No. 2,579,395), OSSEOTITE NT (U.S. Registration No. 2,838,519), TG OSSEOTITE (U.S. Registration No. 2,306,137), GOLD-TITE (U.S. Registration No. 3,053,906), and PREP-TITE (U.S. Registration No. 3,126,311), all of which are related to dental implants and dental implant related products. A true and correct copy of each registration is attached hereto as Exhibit B. Additionally, members of the "TITE" Family of Marks have been used worldwide and all have corresponding foreign registrations.
- 17. Throughout the years since the inception of the "TITE" Family of Marks, hundreds of thousands of product packaging materials, labels, and the like bearing the "TITE" Family of Marks have been manufactured and used in association with dental implants and dental implant related products of the highest quality. 3i also extensively advertises and promotes the products associated with the "TITE" Family of Marks. As a result, 3i's "TITE" Family of Marks has come to be recognized by members of the dental implant industry throughout the United States and the world as exclusively identifying 3i's goods of the highest quality originating exclusively from 3i. Thus, at least partly through its "TITE" Family of

Marks, 3i has developed a significant amount of goodwill and a reputation for developing, manufacturing, and selling superior quality dental products.

- 18. Moreover, as a result of the above, members of the dental implant industry have come to recognize any trademark ending with "TITE" when used in the dental implant industry as an extension of 3i's famous OSSEOTITE Mark and other members of 3i's "TITE" Family of Marks as designating goods and services of the highest quality originating exclusively from 3i.
- 19. As a result of the longstanding use, substantial sales, significant advertising, and promotional efforts by 3i, the members of the "TITE" Family of Marks has become, through widespread and favorable public acceptance and recognition, distinctive and assets of substantial value as symbols of goodwill and origin to 3i. The maintenance of high standards of quality and excellence for 3i's goods and services has contributed to this valuable goodwill and reputation.
- 20. The goodwill embodied in the "TITE" Family of Marks and, consequently, *3i*'s valuable reputation and credibility in the marketplace, depends on the integrity of the "TITE" Family of Marks as an identification exclusively of *3i* and not of any other source.

3i's Adoption, Use, and Trademark Application For The Mark "NANOTITE"

- 21. 3i has dedicated years of research to further enhancing the surface topography of dental implants. As a result of this research, 3i has discovered another innovation for increasing implant-to-bone integration that involves depositing small particles on the implant surface.
- 22. As a further extension of 3i's "TITE" Family of Marks, 3i selected "NANOTITE" ("the NANOTITE Mark") to be used with dental implants, dental implant abutments and related parts and fittings having small particles deposited on their surface. In early May 2006, 3i, through an outside trademark searcher, conducted a search for any third-party uses of the term NANOTITE. The search indicated that NANOTITE was not being used in commerce by anyone, including the Defendants, leading 3i to believe that no entity was using the NANOTITE Mark in the relevant market.

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- 23. To secure its trademark rights in the NANOTITE Mark, *3i* filed an Intent-To-Use federal trademark application (U.S. Federal Trademark Application Serial No. 78/876,594) for the NANOTITE Mark on May 4, 2006. A true and correct copy of this application is attached hereto as Exhibit C.
- 24. 3i's application to register the NANOTITE Mark was approved by the United States Patent and Trademark Office ("USPTO") and published for opposition on November 28, 2006. Defendants Debbie, LLC and Bicon, LLC filed a Notice of Opposition against that application, Opposition No. 91174198. A true and correct copy of Defendants' Notice of Opposition is attached hereto as Exhibit D. Both the application and opposition are pending at the USPTO.
- 25. On or before May 24, 2006, *3i* also filed trademark applications for the NANOTITE Mark in foreign countries including Australia, European Community, Japan, Mexico, and South Korea.
- 26. 3i has also begun to use the NANOTITE Mark associated with dental implants having this new and improved surface technology. The full commercial launch for this line of products is set for January 2007.
- 27. In anticipation of this full commercial launch, 3i has invested considerable amounts of time, money, and effort in advertising, promoting, and marketing its dental products under the NANOTITE Mark throughout the United States and the world and in establishing the NANOTITE Mark in the minds of consumers as yet another high-quality 3i dental implant product line. For example, the NANOTITE Mark is displayed on 3i's website and is being used on products associated with the NANOTITE Mark as part of a pre-commercial release. For months, the NANOTITE Mark has also been used by 3i on printed company newsletters, educational catalogs, booth graphics, mentor product training, sales training efforts, presentations given by clinical champions, limited marketing release invitations, and trade show educational forums throughout the world. Furthermore, during an Earnings Conference Call on June 28, 2006, the Chief Executive Officer of Biomet (3i's parent company), Dan Hann, referred to

"NANOTITE" as a "breakthrough surface technology incorporat[ing] a discrete crystalline deposition of nanoscale calcium phosphate, which is applied to our existing OSSEOTITE Surface substructure."

Defendants' Misappropriation of 3i's NANOTITE Mark

- 28. Bicon is 3i's direct competitor in the dental implant industry. Bicon advertises and sells its goods and services in areas and markets in which 3i advertises and sells its goods and services. Additionally, the interactive website www.bicon.com, which is accessible to consumers in the State of Florida, is one of the means by which Bicon's products are offered for sale and sold. This interactive website, www.bicon.com, includes numerous references to the Infringing Mark and the associated Bicon product.
- 29. Defendants' use of the Infringing Mark to promote Bicon's products was and is without 3i's consent.
- 30. On information and belief, Bicon is advertising, offering for sale, selling, and/or promoting dental implant products under the NANOTITE Mark to the same or similar class of purchasers to whom 3i offers and sells its dental implant products and through the same or similar channels of trade that 3i uses in advertising, offering for sale, selling, and/or promoting its products and services to the relevant public.
- 31. Upon information and belief, Defendants did not use the word "NANOTITE" on printed advertising prior to May 4, 2006.
- 32. Upon information and belief, the word "NANOTITE" was not used on Bicon's www.bicon.com website prior to May 4, 2006.
- 33. Upon information and belief, the word NANOTITE was not used in Bicon's "Product Catalog 2006" that is available for download on the www.bicon.com website.
- 34. Upon information and belief, Bicon filed a Section 510(k) approval for a new implant product with the Food and Drug Administration (FDA). In its FDA application, Bicon

used the trademark "Biconite" for this new implant product. In November 2004, the FDA approved of the sale of Bicon's new "Biconite" product.

- 35. Upon information and belief, the Defendants chose to discard the mark "Biconite" in 2006. Of the innumerable marks that Defendants could have selected, Defendants selected "NANOTITE," at least in part to capitalize on the goodwill associated with 3i's "TITE" Family of Marks.
- 36. Debbie, LLC filed U.S. Federal Trademark Application Serial No. 76/665,445 for NANOTITE ("the Infringing Mark") on August 31, 2006 for "dental implants, abutments for dental implants." In the application, Debbie, LLC alleged that Bicon's first use in commerce date is May 2, 2006, which is two days prior to 3i's May 4, 2006 filing date for the NANOTITE Mark.
- 37. Upon information and belief, Debbie, LLC owns intellectual property rights that are licensed to Bicon.
- 38. The www.bicon.com website displays press releases for new products associated with Bicon. For example, the "Bicon Bulletin" link on the website shows several press releases for products including the Bicon 5.0 x. 6.0 mm Short Implant, SynthoGraftTM, BrevisTM Overdenture System and the like. Surprisingly, however, no press release was posted in connection with Bicon's alleged early May 2006 commercial release of Bicon's implant product associated with NANOTITE.
- 39. The Bicon Bulletin dated February 2006 (on the www.bicon.com website), which precedes Bicon's alleged early May 2006 commercial release of the new Bicon product associated with NANOTITE, does not mention "NANOTITE" or a new Bicon implant product.
- 40. The Bicon Bulletin dated July 2006 (on the www.bicon.com website), which follows Bicon's alleged early May 2006 commercial release of the new Bicon implant product associated with NANOTITE, does not mention "NANOTITE" or a new Bicon implant product.
- Prior to attending a trade show on September 18, 2006, 3i and its hundreds of 41. salespersons throughout the United States were completely unaware that Defendants had any

interest in the Infringing Mark. 3i's representative were, thus, surprised to find that Bicon's booth graphics and literature included the Infringing Mark at the trade show on September 18, 2006.

- 42. On September 19, 2006, the same search for third-party uses of the term NANOTITE previously performed for 3i in early May 2006 (see Paragraph 22 above) was updated. The updated search revealed the use of the term "NANOTITE" on the www.bicon.com website.
- 43. Although Bicon's www.bicon.com website presently includes the term "NANOTITE," the website was updated to include the Infringing Mark after Defendants became aware of 3i's selection of the NANOTITE Mark for 3i's new product.

COUNT ONE INFRINGEMENT OF FEDERALLY REGISTERED MARKS **UNDER 15 U.S.C. § 1114(1)**

- 44. 3i hereby realleges and incorporates herein the allegations of Paragraphs 1-43, inclusive.
- As a result of the public acceptance of 3i's products associated with the "TITE" 45. Family of Marks, Bicon's products are likely to be purchased by consumers in the belief that they are legitimate products offered by, connected with, or sponsored by, 3i.
- 3i has no control over the quality of the products provided by Bicon. Because of 46. the likely confusion as to the source of Defendants' Infringing Mark caused by Bicon's unauthorized use thereof, 3i's valuable goodwill in the "TITE" Family of Marks is being harmed.
- 47. By using the Infringing Mark in connection with their dental implant products, Defendants have misappropriated and are misappropriating the goodwill associated with the 3i "TITE" Family of Marks, leaving such goodwill in the control of Defendants and making 3i accountable for any acts perpetrated by Defendants which may disparage the goodwill that 3i has developed in the "TITE" Family of Marks.

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Purchasers are likely to request and/or purchase Bicon's products which are being 48. advertised, offered for sale, sold, and/or promoted under the Infringing Mark believing that they are 3i's products, thereby resulting in a loss of sales to 3i. Defendants have been and are likely being unjustly enriched by their unauthorized and illegal activities.

Document 34

- 49. The above-described conduct of Defendants in advertising, offering for sale, selling, and/or promoting in interstate commerce unauthorized dental implant products under the Infringing Mark is likely to cause confusion, to cause mistake, or to deceive purchasers as to whether Bicon's products originate with, are sponsored by, are offered with the approval of, or offered under, 3i's supervision or control. Such unauthorized uses infringe 3i's exclusive rights in the "TITE" Family of Marks for dental implants or dental implant related products and constitute infringement of the "TITE" Family of Marks and their federal registrations under 15 U.S.C. § 1114(1).
- 50. Defendants' unauthorized use in commerce of the Infringing Mark has enabled and is likely to enable Defendants to earn substantial profits to which it is not in equity or good conscience entitled, and has unjustly enriched and is likely to unjustly enrich Defendants at 3i's expense, all to Defendants' profit and 3i's damage.
- 51. The goodwill and reputation of 3i's business under the "TITE" Family of Marks is of tremendous value. Defendants' aforesaid conduct has caused and will continue to cause substantial actual damages and irreparable injury to 3i, 3i's trade reputation, and the goodwill associated with the 3i's "TITE" Family of Marks. 3i has no adequate remedy at law and will continue to be irreparably injured unless and until the Court enjoins Defendants' conduct.

COUNT TWO FALSE DESIGNATION OF ORIGIN AND UNFAIR COMPETITION **UNDER 15 U.S.C. § 1125(a)**

- 52. 3i hereby realleges and incorporates herein the allegations of Paragraphs 1-43, inclusive.
- 3i has no control over the nature and quality of the line of products manufactured 53. and sold by Bicon. Any failure, neglect or default by Bicon in providing such product will

reflect adversely on 3i as the believed source of origin thereof, hampering efforts by 3i to continue to protect its outstanding reputation for high quality, high precision products, resulting in loss of sales thereof and the considerable expenditures to promote its products under the NANOTITE Mark, all to the irreparable harm of 3i.

- 54. The above-described conduct of Defendants in advertising, offering for sale, selling, and/or promoting in interstate commerce unauthorized dental implant products under the Infringing Mark is likely to cause confusion, to cause mistake, or to deceive purchasers as to whether Bicon's products originate with, are sponsored by, are offered with the approval of, or offered under, 3i's supervision or control. Such unauthorized uses of the Infringing Mark constitute a false designation of origin under 15 U.S.C. § 1125(a), which is likely to deceive customers and prospective customers into believing that Defendants' line of products is that of 3i and, as a consequence, are likely to divert customers away from 3i.
- 55. Defendants' unauthorized use in commerce of the Infringing Mark has enabled and is likely to enable Defendants to earn substantial profits to which it is not in equity or good conscience entitled and has unjustly enriched and is likely to unjustly enrich Defendants at 3i's expense, all to Defendants' profit and 3i's damage.
- 56. Defendants' false designation of origin will continue unless enjoined by this court.

COUNT THREE <u>3i'S RIGHT TO REGISTRATION</u>

- 57. 3i hereby realleges and incorporates herein the allegations of Paragraphs 1-43, inclusive.
- 58. This Court has the power, pursuant to 15 U.S.C. § 1119 and 28 U.S.C. § 2201, to determine parties' rights to registration of trademarks, and to certify decrees and orders relating thereto to the Director of the USPTO, who shall make appropriate entry upon the records of the USPTO and shall be controlled thereby.

- 59. In their Notice of Opposition filed against 3i's application to register the NANOTITE Mark, Defendants allege that they have priority over 3i, and that the application should be refused under 15 U.S.C. § 1052(d).
- 60. On information and belief, Defendants made no bona fide use of NANOTITE as a mark in the ordinary course of trade prior to May 4, 2006, the filing date of 3i's application to register the NANOTITE Mark. Thus, 3i has priority in the NANOTITE Mark over Defendants, 3i's application should not be refused under 15 U.S.C. § 1052(d), and Defendants' Notice of Opposition should be rejected.

COUNT FOUR COMMON LAW TRADEMARK INFRINGEMENT

- 61. *3i* hereby realleges and incorporates herein the allegations of Paragraphs 1-43, inclusive.
- 62. In addition to the federal registrations owned by 3i as set forth in paragraphs 11 and 16 hereof, 3i owns and uses the NANOTITE trademark in various forms and styles in connection with the manufacture and sale of dental implants, dental implant abutments and parts and fittings therefor, which trademark has not, as yet, been registered in the United States Patent and Trademark Office.
- 63. 3i owns and enjoys common law rights in Florida and throughout the United States in and to the trademark NANOTITE for the dental implants, dental implant abutments and related parts and fittings set forth above, which rights are superior to any right that Defendants may claim in and to said trademark in any form or style with respect to the manufacture and sale of such dental implants or dental implant related products.
- 64. The use of the trademark NANOTITE in connection with the manufacture and sale of Bicon's dental implants which, upon information and belief, now includes dental implants in the State of Florida and elsewhere throughout the United Sates, is likely to cause confusion as to the source of Bicon's products in that purchasers thereof will be likely to associate or have associated such products with and as originating with 3i, all to the detriment of 3i.

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65. Defendants' infringement will continue unless enjoined by this Court.

COUNT FIVE VIOLATION OF THE FLORIDA DECEPTIVE AND UNFAIR TRADE PRACTICES **ACT (FDUTPA)**

- This count alleges unfair methods of competition and unfair and deceptive acts 66. and practices in the conduct of Defendants' trade in violation of the Florida Deceptive and Unfair Trade Practices Act ("FDUTPA"), FLA. STAT. § 501.201 et seq.
- 67. 3i hereby realleges and incorporates herein the allegations of Paragraphs 1-43, inclusive.
- 68. The foregoing acts of Defendants constitute unfair competition, palming off, unjust enrichment, and misappropriation of 3i's NANOTITE Mark and the "TITE" Family of Marks in that such acts permit and will continue to permit Defendants to use and benefit from the goodwill and reputation earned by 3i to obtain a ready customer acceptance for goods advertised, offered for sale, sold, and/or promoted by Defendants and to give to Bicon's products a saleability that they would not otherwise have, all at 3i's expense.
- 69. By committing the acts herein alleged, Defendants have been guilty of unfair methods of competition and unfair and deceptive acts and practices in the conduct of its trade within the State of Florida in violation of FDUTPA causing 3i damages and loss of profits. Defendants' unlawful conduct will continue to damage 3i unless enjoined by this court, and 3i has no adequate remedy at law.

COUNT SIX UNFAIR COMPETITION

- 70. 3i hereby realleges and incorporates herein the allegations of Paragraphs 1-43, inclusive.
- 71. By committing the acts herein alleged, Defendants have been guilty of unfair competition, deceptive advertising and unfair trade practices, in violation of the Florida common law of unfair competition causing 3i damages and loss of profits. Defendants' unlawful conduct will continue to damage 3i unless enjoined by this Court, and 3i has no adequate remedy at law.

WHEREFORE, PREMISES CONSIDERED, 3i prays for a judgment that:

- a) Defendants, their officers, agents, servants, employees, attorneys and all those persons in active concert or participation with Defendants, be preliminarily and permanently enjoined and restrained from using in connection with the goods and services of Defendant, the mark "NANOTITE," and any other mark that is confusingly similar to 3i's NANOTITE trademark;
- b) Defendants, their officers, agents, servants, employees, attorneys and all those persons in active concert or participation with Defendants, be preliminarily and permanently enjoined and restrained from using in connection with the goods and services of Defendant, any member of the "TITE" Family of Marks, and any other mark that is confusingly similar to any member of 3i's "TITE" Family of Marks;
- c) Defendants, their officers, agents, servants, employees, attorneys and all those persons in active concert or participation with Defendants, be preliminarily and permanently enjoined and restrained from using the trade name "NANOTITE," and any other trade name that is confusingly similar to 3i's NANOTITE trademark;
- d) Defendants, their officers, agents, servants, employees, attorneys and all those persons in active concert or participation with Defendants, be preliminarily and permanently enjoined and restrained from using any member of the "TITE" Family of Marks as a trade name or any trade name that is confusingly similar to any member of 3i's "TITE" Family of Marks;
- e) Defendants, their officers, agents, servants, employees, attorneys and all those persons in active concert or participation with Defendants, be required to deliver to the Court for destruction, or show proof of destruction of, any and all products, labels, signs, prints, packages, wrappers, receptacles, and advertisements in possession or control of Defendants which use the mark NANOTITE, any

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- member of the "TITE" Family of Marks, or any mark confusingly similar thereto;
- Defendants be ordered to file with this Court and to serve on 3i, within thirty days after the entry and service on Defendants of an injunction, a report in writing and under oath setting forth in detail the manner and form in which Defendants complied with the injunction;
- 3i recover all damages in an amount greater than \$75,000 it sustained as a result of the activities of Defendants;
- h) An accounting be directed to determine the profits of Defendants resulting from their activities and that such profits be paid over to 3i, increased as the Court finds just under the circumstances of this case;
- 3i recover its reasonable attorneys' fees and its costs of this action and prejudgment and post judgment interests;
- the Court issue an order certified to the Director of the USPTO decreeing that 3i has the right to register the NANOTITE Mark and that Defendants' Notice of Opposition be rejected; and
- k) 3i recover such other relief as this Court deems appropriate.

JURY TRIAL DEMANDED

3i demands a jury trial of all issues so triable.

Respectfully Submitted,

REEDER & REEDER P.A.

Date: January 18th, 2007

s/ L. Martin Reeder, Jr. L. Martin Reeder, Jr. Florida Bar Member 308684 250 South Central Boulevard, Suite 200 Jupiter, FL 33458 Telephone: (561) 575-9750 Facsimile: (561) 575-9765

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ATTORNEYS FOR PLAINTIFF

Certificate of Service

I hereby certify that on January 18th, 2007, I electronically filed the foregoing Amended Complaint with the Clerk of the Court using CM/ECF. I also certify that the foregoing Amended Complaint is being served this day via the transmission of Notices of Electronic Filing generated by CM/ECF on the counsel of record for Defendants listed on the attached Service List.

> s/ L. Martin Reeder, Jr. L. Martin Reeder, Jr. Florida Bar Member 308684

Service List

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Exhibit C

UNITED STATES DISTRICT COURT SOUTHERN DISTRICT OF FLORIDA WEST PALM BEACH DIVISION

IMPLANT INNOVATIONS, INC.,

Plaintiff,

v.

CIVIL ACTION NO. 06-80913 **CIV-HURLEY**

DEBBIE, LLC, a Massachusetts Limited Liability Company; BICON, LLC, a Massachusetts Limited Liability Company; BICON, INC., a Massachusetts Domestic For Profit Corporation; and BICON INTERNATIONAL, INC., a Delaware Corporation,

Defendants.

MEMORANDUM OF LAW IN SUPPORT OF PLAINTIFF IMPLANT INNOVATIONS, INC.'S MOTION FOR PRELIMINARY INJUNCTION

After considerable investment, open and notorious use to customers and potential customers, and filing its applications to register in the United States Patent and Trademark Office and in multiple foreign jurisdictions, Plaintiff 3i learned that its NANOTITE trademark is also being used by competitor Bicon for products nearly identical to those of 3i. Bicon is attempting to claim priority of use, but Bicon's claim is based on its misunderstanding of trademark law. Bicon does not have priority -3i does. Because of that, Bicon's further use of the NANOTITE mark should be preliminarily enjoined so that consumers will not be confused and 3i's investment will not be destroyed. Since large-scale commercial launch of the product is scheduled for the third week of January 2007, 3i requests an expedited hearing on this motion by January 10, 2007, or as soon thereafter as the matter can be heard.

I. INTRODUCTION

Plaintiff Implant Innovations, Inc. ("31") filed this complaint for trademark infringement, false designation of origin, and unfair competition under the Lanham Act, 15 U.S.C. § 1051 et seq., common law trademark infringement and unfair competition, and violation of the Florida Deceptive and Unfair Trade Practices Act, FLA. STAT. § 501.201 et seq., against Defendants

Debbie, LLC, Bicon, LLC, Bicon, Inc., and Bicon International, Inc. (collectively, "Defendants" or "Bicon"). After filing suit, 3i attempted to reach a settlement with Bicon in which Bicon would cease use of the NANOTITE mark without this Court's intervention. Bicon declined. As such, 3i now moves the Court to preliminarily enjoin Defendants from continuing their infringing use of 3i's trademark NANOTITE for dental implants and dental-related products. 3i is likely to succeed on the merits of its claims. Bicon's wrongful use of 3i's mark is causing irreparable injury to 3i that far outweighs any potential damage to Bicon and also is harming the public interest by creating considerable consumer confusion. In fact, 3i already is aware of evidence showing actual confusion by consumers. Therefore, 3i asks the Court to order Defendants to cease all use of 3i's NANOTITE mark, or any confusingly similar mark, pending trial on the merits.

II. **FACTS**

A. 3i's Selection and Use of the NANOTITE Mark

3i has been in the business of developing, manufacturing, and selling dental implants and dental-related products since 1987. At least as early as 1992, 3i began selling dental implants worldwide under the trademark OSSEOTITE. The OSSEOTITE mark was registered in 1993 for dental implants (U.S. Registration No. 1,779,584) and is incontestable pursuant to Lanham Act § 15, 15 U.S.C. § 1065. Declaration of Eric R. Olson in Support of Plaintiff Implant Innovations, Inc.'s Motion for Preliminary Injunction ("Olson Decl.") Exh. 1.

The OSSEOTITE dental implants revolutionized the industry. They feature a groundbreaking surface technology with an unprecedented ability to promote implant-to-bone integration and reduce healing times. As a result, 3i has achieved worldwide acclaim for its dental implants and dental-related products associated with the OSSEOTITE mark.

3i has expanded on the fame and recognition of the OSSEOTITE mark by developing other marks with a "-TITE" suffix ("the 'TITE' Family of Marks") in connection with dental implants and dental-related products. Additional members of the 3i "TITE" Family of Marks include OSSEOTITE XP (U.S. Registration No. 2,579,395), OSSEOTITE NT (U.S. Registration No. 2,838,519), TG OSSEOTITE (U.S. Registration No. 2,306,137), GOLD-TITE (U.S. Registration No. 3,053,906), and PREP-TITE (U.S. Registration No. 3,126,311), all of which cover dental implants and dental-related products. Olson Decl. Exh. 2.

Millions of high-quality dental implants and dental-related products have been manufactured and sold by 3i under its "TITE" Family of Marks. Declaration of Russell J. Bonafede in Support of Plaintiff Implant Innovations, Inc.'s Motion for Preliminary Injunction ("Bonafede Decl.") $\P 3$. 3i also has extensively advertised and promoted these products. Bonafede Decl. ¶ 4. As a result, 3i's "TITE" Family of Marks has come to be recognized by members of the dental implant industry throughout the United States and the world as being of the highest quality and originating exclusively from 3i.

3i has dedicated years of research to further enhancing the surface topography of dental implants. Bonafede Decl. \P 5. As a result of this research, 3i discovered another innovation for increasing implant-to-bone integration by depositing small particles on the implant surface. Bonafede Decl. ¶ 6. As a further extension of its "TITE" Family of Marks, 3i selected "NANOTITE" as the mark it would use in association with dental implants and dental-related products that feature this innovative technology. Bonafede Decl. ¶ 7.

A trademark clearance search conducted on 3i's behalf in early May 2006 indicated that the mark NANOTITE was not being used in commerce by anyone in the dental field, including Defendants. Bonafede Decl. ¶ 8. On May 4, 2006, 3i filed an intent-to-use U.S. trademark application (Serial No. 78/876,594) for NANOTITE for "dental implants, dental implant abutments and parts and fittings therefor." Olson Decl. Exh. 3. In May 2006, 3i also filed corresponding trademark applications for its NANOTITE mark in Australia, the European Community, Japan, Mexico, and South Korea. On November 28, 2006, after 3i's U.S. trademark application was examined and approved for publication by the U.S. Patent and Trademark Office ("PTO"), Defendants Debbie, LLC and Bicon, LLC filed an opposition to its registration. Olson Decl. Exh. 4.

In the months since May 4, 2006, 3i has invested substantial amounts of time, money, and effort in advertising, promoting, and marketing its dental products nationwide under the NANOTITE mark. 3i began using the NANOTITE mark in commerce at least as early as June 9, 2006, when it sent a letter inviting more than 50 dentists, oral surgeons, and related practitioners across the United States to order NANOTITE dental implants. Bonafede Decl. ¶ 9 & Exh. 1. In response to this letter, more than 400 implants were ordered and shipped across the country for use in patients between June and mid-September 2006, when 3i first became aware of Bicon's infringing activities, generating approximately \$58,000 in revenue. Bonafede Decl. ¶ 10 & Exh. 2. The first orders for 3i's NANOTITE implants were placed at least as early as June 19, 2006, and promptly shipped from 3i to practitioners spanning the country, first to New York, Ohio, Colorado, and California, and subsequently to other states. Bonafede Decl. ¶ 10 & Exh. 2. Initial shipments were free, but doctors were charged for subsequent orders, which began at least as early as July 12, 2006. See Bonafede Decl. Exh. 2, at p. 10. When ordering these products from 3i, the dental practitioners throughout the country consistently referred to them by the NANOTITE mark, indicating that consumers of the dental products associated the NANOTITE mark with 3i. Bonafede Decl. ¶ 10.

3i also used other means to aggressively promote its new NANOTITE products. During an earnings conference call on June 28, 2006, Dan Hann, the chief executive officer of 3i parent Biomet Inc., described the new NANOTITE product as a "breakthrough surface technology incorporat[ing] a discrete crystalline deposition of nanoscale calcium phosphate, which is applied to our existing OSSEOTITE Surface substructure." Olson Decl. Exh. 5. On August 8, 2006, 3i mailed some 4,900 invitations to potential customers and attendees of the American Academy of Periodontology ("AAP") 92nd Annual Meeting and, on August 11, 2006, mailed more than 5,000 invitations to potential customers and attendees of the American Association of Oral and Maxillofacial Surgeons ("AAOMS") 88th Annual Meeting. Bonafede Decl. ¶ 11. Both of these invitations prominently featured the NANOTITE mark and advertised lectures to be given regarding the NANOTITE product line. Bonafede Decl. ¶ 11 & Exh. 3.

Furthermore, during the week of August 13, 2006, 3i mailed over 46,000 educational catalogs to a wide variety of potential customers, including clinicians, specialists, periodontists, oral surgeons, dental practitioners, and vendors in the United States. Bonafede Decl. ¶ 12. These catalogs included a discussion of the NANOTITE technology and a schedule for 36 presentations across the United States on 3i's NANOTITE technology. Bonafede Decl. ¶ 12 & Exh. 4. The educational catalog including the NANOTITE mark also was added to 3i's web site, www.3implant.com, on August 16, 2006. Bonafede Decl. ¶ 13 & Exh. 5.

3i's NANOTITE mark was prominently featured on its booth graphics and on newsletters distributed at the AAP and the AAOMS Annual Meetings, which were held on September 16, 2006 and October 4, 2006, respectively. Bonafede Decl. ¶ 14. In addition to receiving many visitors at 3i's booth during the AAP and the AAOMS Annual Meetings, at least 120 dental practitioners attended lectures regarding the NANOTITE product line hosted by 3i during these meetings. Bonafede Decl. ¶ 14. These types of extensive marketing initiatives typically accompany the launch of new dental devices such as dental implants. Bonafede Decl. ¶ 15. In summary, by mid-August 2006, 3i's aggressive direct marketing campaign for its new NANOTITE product line had reached over forty thousand (40,000) practitioners in all fifty states. Bonafede Decl. ¶ 15. In addition, these direct mailings also reached dental practitioners in several foreign countries. Bonafede Decl. ¶ 15.

In addition to its aggressive direct mailing campaign, 3i's sales force, which includes over 100 individuals covering all fifty states, began to spread word about 3i's new NANOTITE product line during the summer of 2006. For example, to prime the dental practitioners for this large-scale direct mailing effort related to the NANOTITE products, 3i's sales force was apprised of the NANOTITE products in June 2006 and instructed to begin detailing the NANOTITE products during their daily visits to dental practitioners. Bonafede Decl. ¶ 15. These representatives received copies of the educational catalogs as well as invitations to the AAP and AAOMS Annual Meetings discussed above. Bonafede Decl. ¶ 15. Armed with this information, 3i's sales force began active promotion of the new NANOTITE product line in the summer of 2006. Bonafede Decl. ¶ 15.

From June through December 4, 2006, 3i shipped more than 1,100 NANOTITE products throughout the United States, generating revenue of approximately \$169,000. The full-scale commercial launch for 3i's NANOTITE line of dental implants is scheduled to take place during the third week of January 2007, and 3i anticipates sales in excess of 100,000 units of NANOTITE products in calendar year 2007. Bonafede Decl. ¶ 16.

В. **Bicon's Infringing Activities**

Bicon is a direct competitor of 3i in the dental implant market. It recently began using 3i's NANOTITE mark for its own line of dental implants. Bonafede Decl. ¶ 17. Bicon had not previously used either "NANO" or "TITE" in its product names; designations it has used for its other dental products include "Short Implants," "SynthoGraft," "Integrated Abutment Crown (IAC)," and "Brevis." Olson Decl. Exh. 6. When seeking FDA approval for the product now associated with Bicon's infringing NANOTITE mark, Bicon referred to this new product as "Biconite." Olson Decl. Exh. 7.

On August 31, 2006, Defendant Debbie, LLC filed a trademark application, Serial No. 76/665,445, for NANOTITE (the "Infringing Mark") for "dental implants, abutments for dental implants." Olson Decl. Exh. 10. In the application, Debbie, LLC alleged that the mark was first used in commerce on May 2, 2006. Olson Decl. Exh. 10. This use, however, was nothing more than a purported order for dental implants by Dr. Vincent Morgan, president of all four Defendants, through Implant Dentistry Centre – Dr. Morgan's own proprietorship and dental practice – located in the very same "Bicon Building" as all four Defendants. Olson Decl. Exhs. 10-13, 17. Defendants also have claimed subsequent transfers of dental implants using the Infringing Mark to Dr. Morgan, but they have provided no evidence of any sale to anyone who is not an agent or employee of Defendants.

3i first became aware of Bicon's use of the Infringing Mark on September 18, 2006, when 3i's representatives discovered that the graphics on Bicon's booth and newsletters at the AAP Annual Meeting included the Infringing Mark. Bonafede Decl. ¶ 18. Defendants also added references to the Infringing Mark on their web site www.bicon.com on or about September 17, 2006, just before the AAP Annual Meeting and trade show. Bonafede Decl. ¶ 19; Olson Decl. Exhs. 14-15. Defendants have provided no evidence that they used the NANOTITE mark in any public advertising or promotion prior to mid-September 2006. Defendants, however, have been aggressively advertising the Infringing Mark in trade journals *since* the AAP Annual Meeting. Bonafede Decl. ¶ 20 & Exh. 6.

In summary, by the time 3i became aware of Bicon's use of the Infringing Mark, 3i had already shipped more than 400 implants in the United States, generating about \$58,000 in revenue, and mailed more than 50,000 pieces of marketing literature referencing its new NANOTITE products to more than 40,000 dental practitioners in the United States.

C. Bicon's Only Public Uses of the Infringing Mark Followed Bicon's Awareness of 3i's Prior Public Uses of 3i's NANOTITE Mark

The evidence strongly suggests that only *after* the Defendants learned of 3i's large-scale public activities related to 3i's NANOTITE mark and the filing of 3i's trademark application did the Defendants engage in public activities in an attempt to secure rights to the NANOTITE mark. The following list highlights Bicon's after-the-fact public activities:

Recognizing 3i's publicly available trademark application claimed priority to May 4, 2006, Debbie, LLC's trademark application – filed nearly four months later – included a sworn declaration, dated August 29, 2006, from Dr. Vincent Morgan claming a first "use" date of May 1, 2006 and a first "use in commerce" date of May

- 2, 2006 for the likely purpose of attempting to preempt 3i's May 4 filing date. Olson Decl. Exh. 10.
- Bicon's only evidence of a transaction involving the Infringing Mark is a single May 2 zero-dollar transaction from Bicon, LLC to Dr. Morgan himself (i.e., his dental practice) located in the very same Bicon Building. Olson Decl. Exh. 17. As outlined below in Section III.A.2, no evidence supports the May 1 "use" date nor the May 2 "use in commerce" date in Dr. Morgan's sworn declaration.
- Bicon's printed advertising, which was unavailable until mid-September 2006, included a highly unusual statement about the NANOTITE product: "commercially available since May 1, 2006." Olson Decl. Exh. 9. Bicon apparently hoped to use this September printed advertisement as "after-the-fact" evidence to help develop a legal position regarding its alleged use on May 1, 2006.
- Bicon's web site did not include the mark NANOTITE until mid-September 2006. When finally adding NANOTITE to the web site, Bicon squeezed its announcement of the alleged commercial release of the NANOTITE product on the "Bicon Update" page between updates that occurred before and after May 1, 2006 so that this important announcement would appear in chronological order. Olson Decl. Exh. 7. Bicon's September 2006 update to the web site also included the statement that NANOTITE had been "commercially available since May 1, 2006" in an apparent attempt to help its legal position regarding its alleged use on May 1. Olson Decl. Exh. 9.
- Bicon's web site includes the periodic "Bicon Bulletin" publication, which Bicon has repeatedly used to inform consumers of its new products. Olson Decl. Exh. 8. If Bicon actually underwent a commercial release of the NANOTITE product on May 1, 2006, it is *surprising* that the "Bicon Bulletin" prior to the alleged May 1 commercial release fails to mention the NANOTITE product. Further, it is **shocking** that the "Bicon Bulletin" just after the alleged May 1 commercial release fails to mention the NANOTITE product. Only after 3i brought this fact to the Defendants' attention did Bicon decide that its commercial release of the NANOTITE product should be set forth in next "Bicon Bulletin," which is dated November 2006. Olson Decl. Exh. 8.

D. **Bicon's Infringement Is Already Confusing Consumers**

Shortly after Bicon's public disclosure of its new product under the Infringing Mark in mid-September 2006, consumers in the dental market became confused about the source of goods bearing the NANOTITE mark. 3i has received a number of oral and written communications from 3i's customers and prospective customers indicating their confusion concerning Bicon's use of the Infringing Mark on Bicon's products. Bonafede Decl. ¶ 21.

III. ARGUMENT

A preliminary injunction should be granted if the movant shows the following:

- substantial likelihood of success on the merits; **(1)**
- irreparable injury will be suffered unless the injunction issues; (2)
- **(3)** the threatened injury to the movant outweighs whatever damage the proposed injunction may cause the opposing party; and
- **(4)** if issued, the injunction would not be adverse to the public interest.

McDonald's Corp. v. Robertson, 147 F.3d 1301, 1306 (11th Cir. 1998) (affirming preliminary injunction); Carillon Importers, Ltd. v. Frank Pesce Int'l Group Ltd., 112 F.3d 1125, 1126 (11th Cir. 1997) (same); Tally-Ho, Inc. v. Coast Cmty. College Dist., 889 F.2d 1018, 1022 (11th Cir. 1989) (reversing denial of preliminary injunction). Trademark actions "are common venues for the issuance of preliminary injunctions." McDonald's, 147 F.3d at 1310 (quotation omitted). "Absent special circumstances, courts will ordinarily grant a preliminary injunction in a trademark infringement action if there is strong evidence of a likelihood of confusion." RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 35 cmt. h (1995).

3i Is Likely to Prevail on Its Trademark Claims A.

To prevail on its trademark infringement claims, 3i must show (1) that it has prior rights to the NANOTITE mark, and (2) that Defendants adopted a mark or name that was the same or confusingly similar to its mark, such that consumers were likely to confuse the two. *Planetary* Motion, Inc. v. Techsplosion, Inc., 261 F.3d 1188, 1193 (11th Cir. 2001).

Addressing these requirements in reverse order, there is no dispute that use of the identical mark NANOTITE on nearly identical types of products – dental implants – will confuse consumers; in fact, consumers have already experienced confusion caused by Bicon's use of 3i's NANOTITE mark. Bonafede Decl. ¶ 21. Defendants have agreed that confusion is likely in their opposition to 3i's trademark application. Olson Decl. Exh. 4, at ¶ 25. This case therefore

will turn on a determination of the first element, that is, which party has prior rights to the NANOTITE mark. That party is 3i.

1. 3i Has Priority in the NANOTITE Mark

3i applied to register and began using the NANOTITE mark before Bicon made bona fide use of the Infringing Mark in the ordinary course of trade. By doing so, 3i obtained prior rights to the NANOTITE mark. See Popular Bank of Florida v. Banco Popular de Puerto Rico, 9 F. Supp. 2d 1347, 1353 (S. D. Fla. 1998) ("The right to the exclusive use of a particular mark or name as a trademark is ordinarily founded on priority of appropriation.").

3i's Trademark Application Will Confer a Right of Priority As of May 4, 2006

Under Lanham Act § 1(b), 15 U.S.C. § 1051(b), an applicant may request registration of a trademark on the Principal Register of the PTO if the applicant has a bona fide intention to use the mark in commerce. 3i filed such an intent-to-use trademark application for the mark NANOTITE on May 4, 2006. Pursuant to Lanham Act § 7(c), 15 U.S.C.§ 1057(c), contingent on the registration of the mark, this filing "constitute[s] constructive use of the mark, conferring a right of priority, nationwide in effect "

Although 3i's registration for its NANOTITE mark has not yet issued, the standard for a preliminary injunction is whether the movant is *likely* to succeed on the merits. Here, it is highly likely that 3i's trademark application will mature into a registration, thus perfecting 3i's nationwide constructive use and right of priority as of May 4, 2006. 3i's application has been approved by the PTO, which is not surprising considering that 3i's previous third-party trademark searches showed that there should not be any bars to registration of the mark. 3i's application was published for opposition by the PTO. Although Defendants have opposed 3i's application, that opposition will not succeed because (as discussed below) any alleged use of NANOTITE by Defendants prior to May 4, 2006 was insufficient to confer trademark rights.

To succeed in its opposition, Defendants will have to prove to that, prior to May 4, 2006, Bicon's use of NANOTITE was "open and notorious" such that a substantial number of customers in the dental implant market associated the NANOTITE mark with Bicon. T.A.B. Sys. v. Pactel Teletrac, 77 F.3d 1372, 1376-77 (Fed. Cir. 1996) (providing example that if a potential market were 10,000 persons, then opposer's prior "use in commerce" relative to only 20 or 30 people would not suffice because the opposer would not have shown a "significant impact on the

purchasing public"). There are numerous cases in which the Trademark Trial and Appeal Board has followed this Federal Circuit case law and ruled in favor of the trademark applicant, like 3i, because of an opposer's lack of evidence of a "significant impact on the purchasing public." See, e.g., London Regional Transport v. The William A. Berdan & Edward C. Goetz, III Partnership and Intershoe, Inc., 2006 WL 2032540, at *9 (T.T.A.B. June 20, 2006); Transcend Logistics, Inc. v. Transflo Corp., 2006 WL 558569, at *15-16 (T.T.A.B. Feb. 24, 2006). Again, the Defendants' only evidence of any use prior to May 4, 2006 is the zero-dollar transaction to their own president located within the very same Bicon Building. Olson Decl. Exhs. 10-13, 17. Once Defendants' opposition is rejected, the PTO will issue a Notice of Allowance on 3i's application as a matter of course (see Lanham Act § 13(b)(2), 15 U.S.C. § 1063(b)(2)), and the registration will issue upon 3i's filing of a statement of use under Lanham Act § 1(d), 15 U.S.C. § 1051(d).

b. 3i's Pre-Sales Marketing Commenced No Later than June 9, 2006 and Constitutes Bona Fide Use in the Ordinary Course of Trade

Once it developed the NANOTITE technology, selected the mark, and filed its trademark application on May 4, 2006, 3i quickly embarked on a widespread marketing campaign to educate the market of dental clinicians nationwide about 3i's new NANOTITE product. All of this promotion was conducted under the NANOTITE mark. See Bonafede Decl. ¶¶ 9, 11-15 & Exhs. 1, 3-5. By June 9, 2006, 3i had sent more than 50 leading practitioners throughout the United States – including at least two in the Boston area where Defendants are headquartered – an invitation to purchase 3i's new NANOTITE product. Bonafede Decl. ¶ 9 & Exh. 1. This promotional activity was entirely in line with the usual approach employed by manufacturers when introducing a new dental device such as dental implants. Bonafede Decl. ¶ 15. 3i has continuously used the mark in commerce ever since. Bonafede Decl. ¶ 15.

When determining priority, courts routinely determine that such pre-sales marketing constitutes bona fide use of a trademark in the ordinary course of trade. As the Eleventh Circuit explained in *Planetary Motion*, evidence showing "use in a way sufficiently public to identify or distinguish the marked goods in an appropriate segment of the public mind as those of the adopter of the mark, is competent to establish ownership, even without evidence of actual sales." 261 F.3d at 1195 (citing *New England Duplicating Co. v. Mendes*, 190 F.2d 415, 417-18 (1st Cir. 1951)); see also Chance v. Pac-Tel Teletrac Inc., 242 F.3d 1151, 1158 (9th Cir. 2001) (same). In Cascades of Levitt Homes Inc. v. Cascades of Sabatello Development Corp., 43 U.S.P.Q.2d

1920, 1925 (S.D. Fla. 1997), for example, the Court concluded that the plaintiff established trademark rights in THE CASCADES for a housing development at the time it erected billboards at the site that used the mark, before any homes were sold or the development had even opened.

Defendants have produced no evidence that they conducted any pre-sale marketing activities whatsoever to promote products associated with the Infringing Mark prior to mid-September 2006, much less before June 9, 2006. Therefore, even setting aside 3i's trademark application, 3i has a common law right of priority in the NANOTITE mark based on its pre-sale marketing activities.

c. 3i Transacted Business Using the NANOTITE Mark No Later Than June 19, 2006

Even if 3i were not entitled to a right of priority in the NANOTITE mark based on its trademark application or its pre-sale marketing activities, 3i received and fulfilled orders from customers for dental implants under the NANOTITE mark no later than June 19, 2006 and made sales in which customers paid for NANOTITE implants no later than July 12, 2006. 3i transported the NANOTITE products in interstate commerce to fulfill the orders. The NANOTITE mark was displayed in literature promoting those dental implants. When placing these orders, the dental practitioners consistently referred to these products by the NANOTITE mark, indicating that they associated the NANOTITE mark with 3i. Bonafede Decl. ¶ 10.

Bicon has produced no evidence of a *single transaction* under the Infringing Mark to anyone not an agent or employee of Defendants on or before June 19, 2006, or even subsequent to that date. 3i's transactions unquestionably constitute bona fide use of the NANOTITE mark in the ordinary course of trade and confer a common law right of priority on 3i.

2. Bicon Had No Bona Fide Use Prior to 3i's First Use

Bicon attempts to claim rights in the Infringing Mark based on several different types of activities. None of these activities, however, confers a right of priority on Bicon.

Although the NANOTITE mark was not affixed to the implants themselves, affixation is unnecessary for trademark rights to accrue in cases such as this one. *See Planetary Motion*, 261 F.3d at 1194 n.6, 1197-98; RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 18 cmt. d (1995) ("Although physical affixation remains a common method of trademark use, the rule stated in this Section recognizes any manner of use that is sufficient to create an association between the designation and the user's goods or services.").

a. Shipment from Bicon's Manufacturer Is Not "Use"

First, Bicon has claimed that packaging with the Infringing Mark traveled in interstate commerce on May 1, 2006. Based on information provided by Bicon, the May 1, 2006 shipment, however, came from Bicon's *own* third-party manufacturer, which treats and packages Bicon's implants *on behalf of Bicon* and delivers them to Bicon. Olson Decl. Exh. 16.

Such shipments do not confer a right of priority. For example, "use in commerce" was not established through either a shipment by the alleged trademark owner to a third party that sterilized the product prior to its sale to relevant purchasers *or* a shipment from the manufacturer to the marketer where a joint venture was formed between a manufacturer and a marketer of the product. *Harod v. Sage Prods., Inc.*, 188 F. Supp. 2d 1369, 1376-77 (S.D. Ga. 2002). *See also Avakoff v. Southern Pacific Co.*, 765 F.2d 1097, 1098 (Fed. Cir. 1985) (stating that a shipment by the manufacturer to the alleged trademark owner is "clearly not activity amounting to a sale or transportation of the goods in commerce and does not constitute a bona fide shipment sufficient to lay a foundation for federal registration"); *Simmons v. Western Publ'g Co.*, 834 F. Supp. 393, 397 (N.D. Ga. 1993) ("The shipment to a potential manufacturer, however, does not constitute the kind of public use necessary to establish ownership of a mark."); *CTC Int'l, Inc. v. Hero Cycles Private, Ltd.*, 26 U.S.P.Q.2d 1309, 1313 (C.D. Cal. 1992) (stating that shipments from manufacturer to purported trademark owner are insufficient to establish priority).

b. Bicon's "Sweetheart" Transfer to Dr. Vincent Morgan Did Not <u>Confer Trademark Rights</u>

a

Defendants claim that a zero-dollar transaction of dental implants with the Infringing Mark from Defendant Bicon, LLC to Dr. Vincent Morgan's own dental practice (i.e., the Implant Dentistry Centre) within the same Bicon Building on May 2, 2006 constitutes the first use of the Infringing Mark in commerce. Yet this transaction clearly cannot constitute a bona fide use of the mark because the Implant Dentistry Centre is a proprietorship owned by the president of *all four* Defendants, Dr. Vincent Morgan.² Olson Decl. Exhs. 10-13. On its web site, Dr. Morgan's Implant Dentistry Centre, which is located inside the Bicon Building, states that it "is the teaching centre for the Bicon Dental Implant System and home to the Bicon Institute, a worldwide education program that promotes the benefits of implant dentistry to dentists in over

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² Under Massachusetts law, a sole proprietorship is not a separate legal entity from the sole proprietor himself. *Ladd v. Scudder Kemper Investments, Inc.*, 433 Mass. 240, 243 (Mass. 2001).

40 countries." Olson Decl. Exh. 17. Courts have long rejected claims of priority based on this type of less-than-arm's-length sale. See, e.g., State of Florida v. Real Juices, Inc., 330 F. Supp. 428, 433 (M.D. Fla. 1971) (holding that a "sweetheart shipment" of goods between intermingled companies was not a use in commerce).

Particularly instructive on this point is Blue Bell, Inc. v. Farah Mfg. Co., 508 F.2d 1260 (5th Cir. 1975), a case from the "old" Fifth Circuit that remains precedential in the Eleventh Circuit. In Blue Bell, two national clothing manufacturers adopted the identical mark – TIME OUT – for new lines of men's clothing. Id. at 1262. A determination of who had rights in the mark depended on which party established prior use of the mark in trade. *Id.* Defendant Farah shipped slacks bearing the mark to its twelve regional sales representatives on July 3, 1973. *Id.* at 1263. Sales personnel paid for the products, and the garments became their property in case of loss. Id. They showed the samples to customers, who placed orders and began receiving shipments in September 1973. Id. Shipments by plaintiff Blue Bell to customers began the following month, in October 1973. Id.

The Fifth Circuit concluded that the July 3rd sale was "merely an internal transaction insufficiently public to secure trademark ownership," continuing: "Secret, undisclosed internal shipments are generally inadequate to support the denomination 'use.'" Id. at 1265. The court characterized as its "essential objection" the fact that the "sales" were not made to the public and thus did not establish common law ownership of the mark through use in trade. Id. at 1265, 1266-67. The court explained:

> The primary, perhaps singular purpose of a trademark is to provide a means for the consumer to separate or distinguish one manufacturer's goods from those of another. Personnel within a corporation can identify an item by style number or other unique code. A trademark aids *the public* in selecting particular goods.

Id. at 1265 (emphasis added). Although Farah could not rely on the July 3 shipment to establish a bona fide use in commerce, Farah established priority of trademark use based on other legitimate sales to customers and was granted an injunction against Blue Bell. Id. at 1267. "These sales constituted the first point at which the public had a chance to associate Time Out with a particular line of sportswear," the court explained. *Id*.

Similarly, in Cascades of Levitt Homes, the Court rejected the defendant's claim that its first trademark use of the mark THE CASCADES occurred in an option agreement signed by a master developer. This was not a trademark use because it was not "open and notorious"; there

was no evidence that the contract was presented to anyone except the parties involved and it "cannot be said to have had substantial impact on the purchasing public." 43 U.S.P.Q.2d at 1926.

Pursuant to these authorities, the zero-dollar transaction among Defendants and their web of companies does not constitute bona fide use of a mark in the ordinary course of trade by Defendants and cannot establish priority in the NANOTITE mark. This is especially true considering the supposed recipient of the Bicon product, Implant Dentistry Centre, is located within the same Bicon Building, as described below.

c. Any Intrabuilding Use by Bicon Was Insufficiently Public to Confer Trademark Rights

Even if the Court were to determine that Bicon, LLC and the Implant Dentistry Centre are sufficiently unrelated and that the zero-dollar transaction from one to the other could constitute bona fide trademark use, this transaction nonetheless fails to create trademark rights. At most, this transaction took place between two entities that collaborate together and are located within the very same building – the Bicon Building. Olson Decl. Exh. 17. There is no evidence that any use of the Infringing Mark transcended the walls of 501 Arborway, Boston, Massachusetts, to reach any others among the 10,000 or more U.S. clinicians who constitute the market for dental implants. An unadvertised transfer of product from one point inside Defendants' building to another is insufficiently public to establish trademark rights.

As the Eleventh Circuit stated in *Planetary Motion*, trademark ownership requires "evidence showing, first, adoption, and, second, use in a way sufficiently public to identify or distinguish the marked goods in an appropriate segment of the public mind as those of the adopter of the mark" *Id.*, 261 F.3d at 1195. The court explained further that courts like the Eleventh Circuit that apply the "totality of circumstances" approach "routinely have found evidence of a few sales of goods to which the mark had been affixed insufficient to establish trademark ownership." *Id.* at 1196 n.11. *See also Harod*, 188 F. Supp. 2d at 1376-78 (discussing requirement that the mark must be exposed to the relevant class of consumers to constitute use in commerce). Defendants' zero-dollar transaction to a single customer (which just so happens to be their own president) was not sufficiently public to create trademark rights.

d. Marketing Dental Implants to Customers, Not Implanting Them in Patients, Constitutes Bona Fide Use of the Mark in The Ordinary Course of Trade

Defendants have made one final argument for priority: that surgically implanting dental implants with the Infringing Mark into patients constitutes use of the mark in commerce. Defendants claim that Dr. Vincent Morgan's Implant Dentistry Centre began placing implants into patients on May 23, 2006. This argument too fails.

Patients are not the relevant class of consumers here because they do not go shopping for dental implants. Bonafede Decl. ¶ 22. When a clinician inserts a dental implant into the jaw of an anesthetized patient, the patient is not relying on a trademark to perform its source-identifying function. Rather, it is the professional (or a colleague in the business with which the doctor is associated) who has been in a position to rely on the trademark when researching and purchasing the device. Surgical implantation into patients by doctors employed by Dr. Morgan's Implant Dentistry Centre does not confer trademark rights.

In sum, Bicon has failed to produce any evidence that it made bona fide use of the Infringing Mark in commerce before 3i applied to register or used its NANOTITE mark. 3i therefore has prior rights in the NANOTITE mark. It is uncontested that purchasers are likely to be confused if both parties use the identical mark for nearly identical types of products. Thus, there is a substantial likelihood that 3i will prevail on its trademark infringement claims, satisfying the first requirement for a preliminary injunction halting Bicon's use of the Infringing Mark.

B. 3i Will Suffer Irreparable Injury Unless an Injunction Issues

If Bicon is allowed to continue selling its dental implants under the Infringing Mark, 3i's product launch may be seriously impaired and the irreparable injury to 3i will continue to mount. The damages occasioned by trademark infringement are, by their very nature, irreparable and not susceptible to adequate measurement for remedy at law. McDonald's, 147 F.3d at 1310; see also Levi Strauss & Co. v. Sunrise Int'l Trading Inc., 51 F.3d 982, 986 (11th Cir. 1995) (affirming preliminary injunction); Laboratorios Roldan, C. por A. v. Tex Int'l, Inc., 902 F. Supp. 1555, 1570 (S.D. Fla. 1995) ("Likelihood of confusion constitutes irreparable injury."); Nailtiques Cosmetic Corp. v. Salon Sciences Corp., 41 U.S.P.Q.2d 1995, 1999 (S.D. Fla. 1997) ("Upon a showing of likelihood of confusion, irreparable injury is established as a matter of law.");

Carillon Importers Ltd. v. Frank Pesce Group, Inc., 913 F. Supp. 1559, 1568 (S.D. Fla. 1996) (granting preliminary injunction and stating that a strong showing of likelihood of confusion may amount to a presumption of irreparable harm), aff'd, 112 F.3d 1125 (11th Cir. 1997).

C. Threatened Injury to 3i Outweighs Any Damage to Bicon

In the absence of an injunction, 3i will lose the benefit of its many months of time, labor, and expense promoting the NANOTITE mark. As noted, 3i began marketing its new dental implants under the NANOTITE mark no later than June 9, 2006, following searches that identified no competing use of the mark. 3i's public use of the mark thus occurred more than three months before it first learned of Bicon's use of the Infringing Mark at the AAP Annual Meeting and trade show on September 16, 2006. In contrast, Bicon began publicly promoting its Infringing Mark no earlier than September 17, 2006.

The injury to 3i without an injunction will be far greater than any damage to Bicon given the disparity in marketing efforts by the parties to date. More important, unlike 3i, Bicon only began promoting its infringing mark after it learned of 3i's use. Any expense Bicon has incurred since becoming aware that it is infringing 3i's NANOTITE mark has been incurred at its own risk. A party cannot claim hardship caused by difficulties it brought upon itself, particularly in light of Bicon's "obligation to select a trademark sufficiently different from its competitors that the likelihood of confusion is avoided." CPC Int'l, Inc. v. Balzola Foods Corp., 224 U.S.P.Q. 85, 89 (S.D. Fla. 1984). Once an injunction has issued, Bicon may continue to sell its own dental implants as long as it competes fairly with 3i; Bicon should not be allowed to unfairly continue reaping the benefit of the goodwill 3i has built in its NANOTITE mark.

D. An Injunction Will Serve the Public Interest

Entry of an injunction in this case will plainly serve the public interest. The parties do not dispute that use of the identical mark on nearly identical types of products by two direct competitors will inevitably confuse the public, which has a strong interest in not being confused. *Kason Indus., Inc. v. Component Hardware Group, Inc.,* 120 F.3d 1199, 1207 (11th Cir. 1997) (recognizing strong public interest in preventing the deception of consumers); *Nailtiques,* 41 U.S.P.Q.2d at 1999 ("The Court must give considerable weight to this public interest, and should therefore resolve any doubts in favor of granting a preliminary injunction."); *Council of Better Business Bureaus, Inc. v. Better Business Bureau of South Florida, Inc.,* 200 U.S.P.Q. 282, 301 (S.D. Fla. 1978) (finding that "the public as a whole has a paramount interest not to be confused

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by Defendant's infringement"). Halting Bicon's use of the Infringing Mark pending trial of this case will stem the damage actual confusion is causing both to 3i and the consuming public. See Davidoff & CIE, S.A. v. PLD Int'l Corp., 263 F.3d 1297, 1301 (11th Cir. 2001) (explaining that Congress intended the Lanham Act to protect both consumers and trademark owners).

IV. CONCLUSION

3i has made the required showing for a preliminary injunction. It is likely to prevail on the merits of its claims and will suffer irreparable injury if an injunction does not issue. Furthermore, the threatened injury to 3i greatly outweighs any damage an injunction may cause Defendants. Finally, an injunction will not be adverse to the public interest, but rather will further the important goal of preventing consumer confusion.

Therefore, 3i asks the Court to enjoin Defendants from using 3i's NANOTITE mark, including any confusingly similar mark, pending trial on the merits of this case.

Respectfully Submitted,

REEDER & REEDER P.A.

Date: December 8th, 2006

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true copy of the foregoing was served by U.S. Mail upon the following on this, the 8th day of December, 2006:

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